Austria	Sch22	Indonesia	Rp3100	Portugal	Esc120
Bahrain	Din0.650	Israel	IS3.50	S.Arabia	Rls7.00
Belgium	BFr48	Italy	L1700	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta145
Cyprus	C£0.90	Jordan	Fils500	Sri Lanka	Rup30
Denmark	DKr10.00	Kuwait	Fils.500	Sweden	SKr9.00
Egypt	E£2.25	Lebanon	$L125.00	Switz	SFr2.30
Finland	FmK7.00	Lux	LFr48	Taiwan	NT$95
France	FFr6.50	Malaysia	Rin4.25	Thailand	Bt50
Germany	DM2.30	Mexico	Pes300	Tunisia	Din0.800
Greece	Dr120	Morocco	Dh6.00	Turkey	L440
Hong Kong	HK$12	Neth	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	NKr10.00	USA	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,568 Monday June 20 1988 D 8523 A

India: A new warrior dents the Gandhi armour, Page 22

World News

Sikh bomb kills 15 Hindus in crowd

Sikh extremists threw a bomb into a crowd of people gathered to watch a popular Hindu epic on television in northern India killing 15 and injuring nearly 30 others. Shortly after the bombing, Sikh radicals shot the state leader of a militant Hindu group, his bodyguard and an aide. In other violence in Punjab, Sikh extremists allegedly shot and killed three police officers. Singh dents Gandhi armour, Page 22

Polish elections

Poles voted for local and provincial councils under a new law requiring voters to choose from at least two candidates. Turnout was low and protesters in three cities staged demonstrations against the elections.

Fresh unrest in Armenia

Hooligans smashed windows in two towns south of Yerevan, the Armenian capital, as tensions continued over a disputed territory in Azerbaijan. Page 4

Czech clampdown

The Czechoslovak authorities deported 32 foreigners following a clampdown at a meeting in Prague between human rights and peace activists from both East and West. Page 4

Clashes in Mehran

An Iraq-based army of Iranians opposed to the regime of Ayatollah Ruhollah Khomeini claimed its troops captured the Iranian border town of Mehran and killed "thousands" of Iranian troops.

Tickets to Israel

The Israeli Cabinet decided to force Soviet Jews seeking to emigrate with Israeli visas to travel directly from the Eastern bloc to the Jewish state. In May, more than 90 per cent of immigrants decided to settle elsewhere.

Taba talks tabled

Israel and Egypt will open talks on their Taba border dispute and said they would ask international arbitrators to delay a decision on who should control the tiny Red Sea territory. Page 3

Cyprus reunification

Cyprus President George Vassiliou has agreed to meet Turkish Cypriot leader Rauf Denktash to discuss re-unifying the divided Mediterranean island. Page 4

Namibia set for strike

Tens of thousands of black workers in South African-ruled Namibia have been called out for a two day strike starting today despite warnings that force will be used to prevent disorder.

Double deals on Cuba

The US is re-evaluating two decades worth of intelligence on Cuba after discovering that many sources were double agents. The US was also investigating romantic encounters between Cuban women and Marine guards at the US Interests Section in Havana.

Khmer Rouge block aid

The United Nations is threatening to halt aid to another Cambodian refugee camp after Khmer Rouge administrators reportedly blocked deliveries of aid and kept refugees from receiving emergency treatment.

Berlin rock concert riot

West Berlin police clashed with about 500 youths including neo-Nazis in a riot after a three-day rock concert at the Berlin Wall.

Rebels name cabinet

The Pakistan-based Afghan guerrilla alliance named a "transitional government" it wants to replace the Soviet-backed government of President Najibullah. Previously named president Ahmad Shah announced a 14-member cabinet and said elections would be held among rebels and refugees within four months for an assembly.

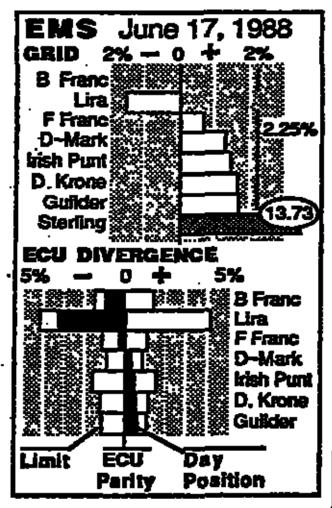
Business Summary

Sony to boost output of TVs made in Europe

SONY, Japanese consumer electronics group, expects to supply almost all of its European television sales from production plants in the region early next year as part of its strategy to increase production and overseas research to match the strength of its foreign sales. Page 22

EUROPEAN Monetary System: Better-than-expected US trade figures boosted the dollar and put further pressure on the D-Mark. The Bundesbank sold dollars but the D-Mark only really stabilised after reports that the Bundesbank would lift its key sale and repurchase rate to 3.50 per cent this week.

The French franc shrugged off the failure of any party to win a clear majority at last week's general election and seemed little affected by suggestions that French interest rates may soon be reduced.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move by more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (Ecu), itself derived from a basket of European currencies.

UK MANUFACTURING industry output will fall slightly in the next four months, the Confederation of British Industry predicts in its June survey of industrial trends. Page 8

COMPAQ, US computer manufacturer, today launches two new products to challenge IBM's leadership of business personal computer market. Page 25

EUROPEAN Community member states are expected to scrap more than a dozen barriers to free trade this week, including long-delayed plans to liberalise the truck industry. Page 4

NATIONAL SAVINGS continued its relative decline in importance to British Government funding in May with a net contribution of £63.4m ($112.8m), about £100m less than the average for each of the first four months of the year. Page 10

INTERMEDICS, leading US maker of heart pacemakers and other medical equipment, has agreed to be acquired by Sulzer Brothers of Switzerland for $43 a share, or some $800m. Page 25

KYMMENE, leading Finnish forest products group, begins trading on the London Stock Exchange today. Only the unrestricted shares are being introduced to the London market. Page 25

TEXACO, third-largest US oil company, emerged from a crucial vote of the shareholders with both Mr James Kinnear and Mr Carl Icahn, rivals in a struggle for control of the company, both claiming victory. Page 25

HUSKY OIL, Canadian oil and gas group controlled by Hong Kong entrepreneur Mr Li Ka-shing and Nova, the Alberta energy group, is buying all the shares of Canterra Energy, a Canadian energy group. Page 25

LIBYA and Algeria signed agreements dealing with taxation and establishing an "Arab Libyan Algerian bank" for investment.

Right-wing extremists linked to Ozal murder attempt

BY JIM BODGENER IN ANKARA

POLICE investigating the attempt to assassinate Mr Turgut Ozal, Turkish Prime Minister, are exploring possible links with an extreme right-wing group active before the 1980 military coup.

Mr Kartal Demirag, 32, who failed in his attempt to kill Mr Ozal on Saturday during the ruling Motherland Party's (ANAP) annual congress, belonged to the Grey Wolves group which was blamed for many political killings in the late 1970s, security sources said yesterday.

Mr Ozal was only lightly injured with a flesh wound to his right hand and arrived yesterday to vote in the congress with his arm in a sling.

No-one was killed in the attack, but about 20 people were injured by bullets and falling glass, and 13 were sent to hospital after the attempt and the police gunfire which followed. Mr Demirag was shot in the arm and is in hospital.

The ANAP conference closed yesterday under greatly increased security.

Analysts say the assassination bid could be further evidence of bitter factional feuding in Turkey's far right, particularly between members of extremist groups proscribed after the 1980 coup and former colleagues who they allege reneged by joining ANAP.

By eliminating Mr Ozal – the main bond to ANAP's disparate elements – they might hope to bring about its disintegration, and destabilise the country to their own advantage, analysts say.

The Grey Wolves movement was affiliated to the far-right and the now banned Nationalist Movement Party, in the 1970s.

Mr Demirag, a teacher, was sentenced to 10 years for attempted manslaughter in 1986, but escaped from an open prison in January this year.

The public prosecutor said yesterday that Mr Demirag had acted in cold-blood, and did not regret it. He will face trial on charges of attempted murder – carrying a 20-year jail term – in two weeks, when he can be moved from his closely-guarded Ankara hospital.

Several factors have fuelled speculation about the presence of other members of a hit-team inside the sports hall where the attack took place.

Mr Ozal said yesterday that a bullet parted his hair while he was bending down to take cover. He had already heard a second shot after receiving a flesh wound in his hand from the first. Yet Mr Demirag's 1915 Webley pistol jammed on the third bullet.

Hurriyet, a mass-circulation daily newspaper, reported yesterday that a second gunman tried

Continued on Page 22

Cyprus talks, Page 6

Business as usual: Ozal appeared at a strongly-guarded congress yesterday, determined to vote despite the previous day's events

Toronto summit aims to soothe nerves of financial markets

BY PHILIP STEPHENS AND DAVID OWEN IN TORONTO

WESTERN leaders yesterday sought to calm the nerves of the world's financial markets with an upbeat assessment of economic prospects and soothing words on the outlook for interest rates.

As the 14th World Economic Summit opened in Toronto it was still uncertain, however, whether West Germany will move this week to edge up its borrowing costs. Concern about such a rise sparked unease on world capital markets late last week.

The seven nations attending the three-day summit – the US, Japan, West Germany, France, Britain, Italy and Canada – voiced optimism on the prospects of an agreement to boost aid to sub-Saharan Africa.

The only issue apparently threatening the orchestrated harmony was agricultural subsidies. The European Community, represented by Mr Jacques Delors, the Commission president, indicated that it would strongly resist US pressure for new commitments to reduce subsidies.

Community officials also attacked recent moves by Washington to reduce the US grain set-aside programme – which pays farmers not to produce grain – and to lodge formal complaints against European soya bean subsidies.

Mrs Margaret Thatcher, the British Prime Minister, who began the economic discussions at the summit, set an optimistic tone which was echoed by other leaders. Growth was stronger than had been expected only a few months ago, inflation was under control and international trade imbalances were narrowing.

Officials from several governments acknowledged that a possible resurgence of inflation was now seen as the main risk facing the world economy, but suggested that concern in the markets about the implication for interest rates had been exaggerated.

A spokesman for Mr Noboru Takeshita, Japan's Prime Minister, said his government was not seriously concerned about the outlook for prices, despite recent impressive growth in its economy.

In an apparent reference to West Germany, however, he added that pressures for higher interest rates in other countries might be greater. In those circumstances "delicate handling" was required to maintain confidence in the markets.

The tactics of the seven appear to be to present any increase in West German rates as a minor tightening of policy rather than a trigger for a more generalised rise around the world. British officials said they had no expectation that finance ministers at the summit would consider concerted moves on borrowing costs.

A spokesman for Chancellor Helmut Kohl said that any decision in West Germany would be made by the Bundesbank but added that there appeared no danger of a "strong" rise in rates.

Hopes of a deal to ease the debt burden of the poorest heavily-indebted nations, particularly in sub-Saharan Africa, were

Continued on Page 22

More summit news, Page 3

Japan, US expected to sign trade pact

JAPAN and the US are close to resolving a year-long dispute over beef and citrus imports to Japan, according to Japanese officials quoted by Reuter in Tokyo yesterday. Both sides agreed to postpone discussions on Japan's demands to impose emergency curbs on beef imports should these rise sharply after trade is liberalised. The US wants a time limit on this provision while Japan wants it to be permanent. With this obstacle removed, the two sides were expected to sign an agreement today, the officials said.

Kraft seeking to grow in Europe with Italian deal

BY ALAN FRIEDMAN IN MILAN

THE EUROPEAN presence of Kraft, the biggest US food processing group with nearly $10bn of annual sales, is set to take a big leap forward as a result of a deal which is at an advanced stage of negotiations with Parmalat, one of Italy's largest food and dairy companies.

Kraft is understood to be negotiating to acquire all or part of Parmalat.

The acquisition of the whole of Parmalat would more than double Kraft's presence in the Italian food market and would catapult it into a leading position. It would also provide Kraft with a solid base from which to expand in western Europe before the opening of the internal market in 1992.

Kraft, which emerged from the break-up in 1986 of the US conglomerate Dart & Kraft, has been in Europe for more than 50 years and has been operating subsidiaries in the UK, West Germany, Belgium, Ireland, Denmark, Spain and Italy.

Italy is Kraft's fastest-growing market. Kraft made its first big Italian acquisition in 1985 when it bought control of Invernizzi, one of Italy's largest cheese and dairy producers with sales last year of about L850bn ($654m).

In the US, Kraft yesterday declined to comment on the matter, and in Italy Parmalat denied that any talks were under way. However, it has been learned that the closing of a deal between the two companies is scheduled to be less than two weeks away. Representatives acting for Kraft have been examining the accounts and commercial dealings of 10 of the 15 Parmalat divisions in recent days.

The talks have been so secret that not even the senior management of Kraft's Milan-based Italian subsidiary has been informed. Negotiations have been conducted directly between executives from Kraft's headquarters in Glenview, Illinois, and representatives of Mr Calisto Tanzi, the chairman and majority shareholder of the unquoted Parmalat.

Mr Tanzi is known to be a friend of Italy's Christian Democrat Prime Minister Ciriaco De Mita. Apart from Parmalat, Mr Tanzi controls Odeon Television, a rapidly growing private television network.

Parmalat, based in Parma, had 1987 food sales of about L1,050bn. It manufactures dairy products, frozen foods, biscuits and cakes. The company's declared 1987 profit of L13bn amounts to a little over 1 per cent of its revenues. Much of Parmalat's sales come from low-margin dairy commodities. Debt servicing charges last year were 5.6 per cent of total revenues.

Parmalat has a workforce of 1,700. It also has interests in France, Spain, West Germany, the US and Brazil. The non-Italian interests contributed about L100bn to group turnover.

UN may withhold up to $2bn in aid to Afghanistan

By Robin Pauley, Asia Editor, in London

UP TO $2bn in international aid for Afghanistan could be frozen and withheld from the Soviet-backed regime of President Najibullah as a result of a secret meeting at the UN headquarters in New York today which will mark a dramatic shift in the political forces within the war-torn country.

Mr Abdul Haq, a senior Afghan resistance field commander who controls the mujahideen forces in and around the Afghan capital of Kabul, travelled to New York at the weekend for the meeting with a senior aide of Mr Javier Perez de Cuellar, the UN Secretary General.

This is the first formal link between the UN and the resistance and the fact that a field commander rather than one of the Pakistan-based resistance political leaders has been approached suggests that the UN accepts that a shift of power and influence is occurring within the resistance as the Soviet Union withdraws its army after an occupation which began in 1979.

The meeting may also be the first formal negotiation by the UN, which usually deals with governments, with an individual with no obvious political base; which sets him apart from, for example, Mr Yassir Arafat, chairman of the Palestine Liberation Organisation.

Mr Haq agreed to the meeting in spite of the opposition of some resistance leaders and some external advisers including Britain's MI6 intelligence services.

His key demand, which is expected to be met, is that none of the international aid collected by the UN for the reconstruction of Afghanistan and the rehabilitation of 5m refugees should be paid to or through the Soviet-backed Kabul Government of President Najibullah.

If he wins that demand it would be a severe blow to the Kabul Government and would greatly enhance the status of Mr Haq and the other field commanders, some of whom will nevertheless be jealous of his sudden appearance in the international arena. It would also weaken the seven-party resistance political alliance based in Peshawar, Pakistan.

Prince Sadruddin Aga Khan, chief UN co-ordinator for the Afghan aid and reconstruction effort, has already met President Najibullah's Government

Continued on Page 22

THATCHER APOLOGISES FOR SOCCER VIOLENCE

MRS MARGARET Thatcher, the British Prime Minister, yesterday took the opportunity afforded by a midday meeting with Chancellor Helmut Kohl of West Germany, to apologise for the behaviour of British soccer fans, writes David Owen from Toronto. British officials said that Mrs Thatcher was "very distressed" by the scenes of violence which erupted at the European Championships in West Germany.

Meanwhile, in London, the British Government said it would review its policies on alcohol abuse and that it may consider curbs on advertising. Mrs Thatcher has demanded that urgent action is necessary to combat the recent outbreaks of drunken violence by young people. Proposals have been under consideration in Parliament for some time, but new impetus has been given to the review by the violence in West Germany as well as serious weekend disturbances involving young people in several of Britain's south-eastern towns. Mrs Thatcher is furious at these events and her involvement has shaken up the discussions, with ministers and officials urgently putting together a range of options.

Review heralds tougher line, Page 8

US arms fraud charges likely

BY LIONEL BARBER IN WASHINGTON

AN INVESTIGATION into alleged widespread corruption and fraud in US military procurement is expected to lead to indictments of up to 70 people on charges of bid-rigging and trading inside information on military contracts.

Law enforcement officials, using wire taps, have persuaded several individuals to implicate others in the scandal, which has revealed a network of civil servants and defence industry contractors profiting from the Reagan administration's $2,000bn military build-up.

The affair threatens to saddle the Republican Party with yet another ethics scandal following the Iran-Contra debacle and the Wall Street insider trading scandals. This in turn could damage Vice-President George Bush's attempt to recover from his low standing in the presidential contest polls.

Last week, the US Justice Department and the FBI disclosed their two-year-old investigation by issuing search warrants against current and former Pentagon officials and defence contractors, including McDonnell Douglas, United Technologies, Pratt & Whitney, Northrop and Unisys.

The investigation centres on classified information on contract bids and specifications for new weapon systems being traded between Pentagon officials and military contractors who employed defence consultants, often former Pentagon officials, as go-betweens.

One of the key figures emerging in the probe is Mr Melvyn Paisley, a defence consultant who was recruited by the former navy secretary Mr John Lehman. Mr Paisley, formerly an official with the Boeing Corporation, was assistant navy secretary and navy research chief between 1981 and 1987 and enjoyed a close working relationship with Mr Lehman.

The Washington Post reported at the weekend that a Pentagon memorandum filed in a Virginia court case warned Mr Caspar Weinberger, the former US defence secretary, that information was leaking from Mr Lehman's office and urged him to raise the matter with his navy secretary.

A second level of the inquiry concerns two congressmen who have been identified as targets for questioning, though both men have issued denials of wrong-doing.

Mr Ed Meese, US Attorney General, said he expected grand jury indictments within three months.

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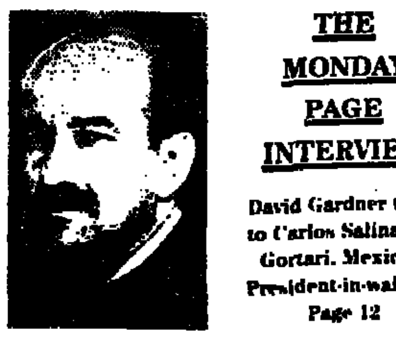

THE MONDAY PAGE INTERVIEW

David Gardner talks to Carlos Salinas de Gortari, Mexico's President-in-waiting. Page 12

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At his base in southern Angola, Jonas Savimbi talked to **Anthony Robinson**

Unita lobbies from ambiguous strength

FOR 13 years Unita rebels in Angola, led by Dr Jonas Savimbi, have fought the Government's forces, backed by Cuba and the Soviet Union, in a civil war which has brought economic ruin and misery to what could be one of Africa's richest countries.

This week, as Angolan, Cuban, South African and US negotiators converge on Cairo for the second round of talks aimed at settling the international dimensions of the war, Dr Savimbi is to arrive in Washington on what may be the most important mission in his long career, seeking to make Unita part of any eventual settlement.

The US capital is the first stop in a trip which will take him to London and other European capitals, and to several of the 20 or so African states (including Nigeria, Kenya and Zaïre) that give various degrees of support to Unita.

Unita, whose stubborn resistance has sustained the war, has been excluded from the talks aimed to secure the withdrawal of all foreign troops from Angola and implement UN Resolution 435. This calls for independence for Namibia, now ruled by South africa, through UN-supervised elections.

Dr Savimbi told a news conference in his bush headquarters at Jamba, near the Namibian border in the far south-eastern corner of Angola, that he supports the negotiations. They were an encouraging sign that all sides now accepted the impossibility of a military solution, he said. The most positive element was Soviet acceptance of the need for a negotiated settlement and its tacit recognition of a link between Cuban troop withdrawal and Namibian independence.

Over the last 13 years, he has built up what is probably the most effective guerrilla army in Africa. The 54-year-old son of an Angolan railway worker, he was trained by China in guerrilla tactics and led Unita from its beginning in the 1960s as one of three liberation movements fighting the Portuguese colonial administration.

He took to the bush again in 1975 when Cuban and Soviet military support for the marxist MPLA movement led to the break-up of a coalition government which lasted briefly after independence from Lisbon.

An agreement just before the Portuguese withdrew established that a three-party transitional coalition government in Angola be followed by a general election. This was not held, so the US has never recognised the MPLA Government as legitimate.

Unita has been widely labelled a South African stooge because of Pretoria's military support. The heavily-bearded, charismatic Dr Savimbi vigorously denies this. He likens his "tactical alliance" with South Africa to the pact of mutual convenience between the western democracies and Stalin during World War II.

He denies that Pretoria is representing Unita in the four-power talks and points to big differences with South Africa, notably over the South-West Africa Peoples' Organisation. Pretoria calls Swapo terrorist. "I recognise them as freedom fighters," Dr Savimbi said.

However, in the event of Unita joining a coalition government in Luanda, the Angolan capital, neither Swapo nor the African National Congress (the outlawed South African opposition movement) would be allowed bases in Angola, he added.

In recent years, Unita has reduced its dependence on South Africa, thanks to financial support from Saudia Arabia and other anti-communist sources. However, Dr Savimbi denied reports that he is moving unita's main base from Jamba to a new, US-supplied base in Zaïre.

"If I leave Jamba, it will be to go to Luanda, not to a foreign country where my freedom would be restricted," he said.

Declaring himself satisfied with the level and quality of US aid so far, he added that he had enough US supplies (of which the most important are Stinger missiles) to last another two years.

Even so, one of his priorities in Washington will be to try to stifle the threat to cut off aid to Unita, made this month by Mr Michael Dukakis, the probable Democratic candidate for the US presidency.

This intervention resuscitates Unita's doubt about US reliability and brings back memories of 1975 when the US Congress, in an isolationist mood after the Vietnam war, refused to counter the first big Cuban and Soviet intervention in Angola and Mozambique. Instead, it passed the Clark Amendment, which banned US aid to Unita.

AFTER WEEKS of haggling over the venue, Mr Pik Botha, South African Foreign Minister, has agreed to go to Cairo this week for the second round of four-power talks aimed to end the civil war in Angola and secure independence for Namibia.

The first round of talks – involving Angola, Cuba and South Africa, with the US acting as mediator – took place in London last month and was followed by a Angolan-South African meeting in Brazzaville, the Congolese capital. After a cordial meeting, both sides agreed that Brazzaville should be the venue for the next quadripartite talks.

Angola then changed its mind. This was reported to be because of Cuban pique at the warm reception given by the Congolese Government to the South African delegation, led by the Foreign Minister and Gen Magnus Malan, Defence Minister.

The main hurdle for delegates at the talks this week will be the infiltration of an estimated 12,000 crack Cuban troops into southern Angola. Pretoria has accused President Fidel Castro of Cuba of seeking to sabotage the talks by sending such units in support of Swapo guerrillas across the border of South African-controlled Namibia.

Jonas Savimbi: Seeking reassurance in Washington

Stinger missiles have helped over the last two years to neutralise the threat from Soviet Mig-23 fighter-bombers, Hind helicopter gunships and other sophisticated weapons. Unita has shown ability to use such weapons effectively.

Its 65,000 well-trained men now operate in all the country's provinces, Dr Savimbi claimed, adding that his forces had killed 1,150 government troops and 51 Cubans in more than 400 operations against Cuban and government forces in the past two months. Unita casualties were 85 killed and 277 injured, he said.

Enemy losses included 14 tanks and armoured cars, four helicopter gunships and two Mig-23 fighters, he said. The most spectacular recent operations include five attacks on the Lobito-Huambo railway line last week.

Dr Savimbi, who displayed two captured Cuban soldiers, claimed that the morale of Cuban and Angolan forces was low despite the recent introduction of 12,000 crack Cuban troops and pilots, which brings the total Cuban contingent up to a new high of 57,000 men, he said.

He confirmed that Cubans are now deployed as close as 12km from the Namibian border. Their motives were unclear but could range from a desire to provoke South Africa or attack Jamba, to an attempt to delay negotiations until after the US presidential election in November, he said.

A march past by more than 1,000 men, before his departure, underlined Dr Savimbi's claim that his main source of supply continues to be the Soviet Union. Every soldier who marched past a line of captured Soviet trucks, armoured cars, artillery and rocket-launchers carried a captured Soviet AK47 rifle.

One senior officer said: "We like *perestroika* but we wish the Russians would make better trucks – the ones we capture are rubbish."

Israel and Egypt in final attempt to solve Taba dispute

BY ANDREW WHITLEY IN JERUSALEM

ISRAEL and Egypt are to open last-ditch negotiations in Washington this week over the disputed Taba enclave.

The talks on the six-year-old border dispute come amid strong rumours that an international arbitration panel was about to award the tiny strip of Red Sea beachfront to Egypt.

The squabble over Taba, which Israel retained when it withdrew from the rest of the Sinai peninsula in 1982, under the terms of its 1979 peace agreement with Egypt, has accompanied a steady deterioration in diplomatic relations between the two countries.

Never warm, bilateral relations have slithered over the past six months of the Palestinian uprising from a state of "cold peace" to near deep freeze.

Alarmed at the ice settling into the relationship between its two closest allies in the Middle East – collectively the recipient of over $5bn (£2.8bn) a year in US aid – the State Department has been working hard behind the scenes to achieve an out-of-court reconciliation over Taba.

Following a surprise visit to Cairo last week by Mr Avraham Tamir, a top Foreign Ministry official closely associated with the Taba issue, Israel has now agreed to put the issue of sovereignty on the agenda of direct negotiations, as part of a proposed compromise package over the enclave.

"We have nothing to lose," a Foreign Ministry official said yesterday, referring to the private conviction in Jerusalem that the five-judge arbitration panel meeting in Geneva was about to rule against Israel's claim.

This is that the strip of land had formed part of the Ottoman empire, and thus lay within the borders Israel inherited from the British Mandate in 1948.

Yesterday, the top three men in the coalition National Unity Government – Prime Minister Yitzhak Shamir, Foreign Minister Shimon Peres and Defence Minister Yitzhak Rabin – met to agree on the terms of reference an Israeli negotiating team will take to Washington.

The talks with Judge Abraham Sofaer, the State Department's legal adviser, and an Egyptian delegation are understood to be aimed at thrashing out a formula which would secure permanent Israeli access to Taba, a resort housing a luxury hotel and a beach holiday village.

Thatcher 'warned Shamir over activities of Mossad'

BY MAGGIE URRY

MRS Margaret Thatcher, the UK Prime Minister, wrote a secret letter to Mr Yitzak Shamir, the Israeli Prime Minister, complaining about the activities in Britain of Mossad, his country's secret service, asserts a programme to be shown on British television tonight.

World in Action discloses details of the letter, sent last October, which warned Mr Shamir that Mrs Thatcher would very seriously consider removing Mossad from the list of "friendly" intelligence agencies if it again infiltrated terrorist groups in the UK without informing Britain.

Removal from the friendly list would have the effect of officially banning Mossad from the UK, the programme says.

The Prime Minister's office yesterday said the Government expressed its profound concern to the Israelis last autumn.

The incident followed the discovery by the UK authorities of the extent of Israeli infiltration in a PLO terrorist cell.

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Lisbon electoral reforms urged

MR ANIBAL CAVACO SILVA, Portugal's prime minister yesterday called for the urgent reform of what he described as Portugal's undemocratic and Marxist constitution to help meet the challenge of full European Community integration, Reuter reports from Lisbon.

"1992 is on the horizon and we will pay a high price if the constitution is not revised to allow us a fair chance in what will then be an open European market," he told delegates on the last day of the Social Democratic Party (PSD) congress.

The EC aims to weld its 12 disparate national economies into a genuine common market by the end of 1992 in which goods, services, capital and people would be able to move freely across borders.

"We want majority rule to work normally in our country and not be limited by a constitution which is both undemocratic and in favour of Marxist socialism," Mr Cavaco Silva said.

The three-day congress was the first since the PSD won an unprecedented outright majority in parliament in last July's general election.

But any prospects of a festive mood were dispelled by widespread frustration at what is seen as the Government's inability to translate its electoral victory into positive action.

Cavaco Silva's policies of state sell-offs and labour law reforms have been blocked or limited by the left-wing constitution, the most enduring legacy of the 1974 revolution that ended almost 50 years of dictatorship.

Industrial relations are at a new low after a general strike over the planned labour reforms and transport workers have said they will resume stoppages to press pay claims.

"It is an entirely new political situation. We've made tactical mistakes but we're learning," said one party militant.

A revision of the constitution, due to start shortly, is vital to Mr Cavaco Silva's plans and he appealed for support from the moderate socialist party to meet the two-thirds majority vote required in parliament.

"Reform is a national and not a party challenge and we believe an acceptable consensus with the socialists can be reached," he told the 1,000 delegates.

Brazil oil chief slams pay freeze

BRAZIL'S controversial pay freeze policy came under fresh attack yesterday with Mr Ozires Silva, head of the state oil company Petrobras, saying that it was causing chaos, Reuter reports from Sao Paulo.

President Jose Sarney fired Armed Forces chief of staff Paulo Roberto Camarinha on Friday for criticising the freeze, intended to help control the public deficit.

But political analysts said that the Government was under growing pressure to rethink its policy, which has run into serious trouble in the courts. The two-month freeze, introduced in April, applies only to 2m federal employees.

The Folha de Sao Paulo newspaper asked Mr Silva whether the Government's pay policy was a source of concern for the state company.

Mr Silva replied: "It worries us, it worries us a lot. Today there is real chaos."

He said that some of Petrobras' 55,000 staff had had their pay frozen, while others had succeeded in getting inflation-linked pay rises through court rulings.

With prices in Brazil rising by nearly 20 per cent a month, a pay freeze for even 60 days represents a very sharp drop in standard of living.

Last week most judges in the Higher Labour Court in Brasilia said that the pay freeze in the public sector was unconstitutional because it discriminated between workers.

Political analysts said that the Government would have problems making its pay freeze policy stick, in the light of the increasing number of challenges.

Mr Mailson Nobrega, the finance minister, brought in the freeze as one of several emergency measures to head off a collapse of the Government's finances.

The freeze is meant to save the equivalent of one per cent of Gross Domestic Product, which last year was $313bn.

Mr Nobrega is trying to keep the Government's public spending deficit this year to 4 per cent of GDP – a central economic target which the Government committed itself to in recent debt negotiations with the International Monetary Fund (IMF).

Brazil wants $1.6bn in loans from the IMF and $5.2bn from commercial banks.

Shultz visit signals shift on Central America

By Lionel Barber in Washington

MR GEORGE SHULTZ, US Secretary of State, is to visit Central America at the end of this month in what appears to be a shift by the Reagan Administration towards diplomatic rather than military solutions to the region's problems.

The Administration is looking to shore up the Nicaraguan Contra rebels who have just broken off peace talks with the Sandinista government.

But US officials are also concerned about political instability in El Salvador, where President Jose Napoleon Duarte has been diagnosed as having incurable cancer.

In a television interview yesterday, Mr Shultz said Central America was "a gnawing problem. It is the most troublesome area of American foreign policy," he added.

During his four-day trip between June 18 and July 1, Mr Shultz will meet the leaders of the four countries bordering Nicaragua – Guatemala, El Salvador, Honduras and Costa Rica.

Mr Shultz said no final decision had been made on whether to ask Congress to approve a military aid-package for the Contras. But he acknowledged they needed support at a critical stage in negotiations with the Sandinistas.

The Washington Post, quoting a senior State Department official, said the Administration had given up hope of securing military aid from Congress.

Mr Shultz's trip coincides with the end of a temporary 90-day ceasefire agreed between the Sandinistas and the Contras which expires on June 30.

Peruvian exchange rates simplified

THE PERUVIAN Government has reduced its unwieldy multiple exchange rate system for foreign trade from eight rates to five, writes Barbara Durr in Lima. Three of the lowest, subsidised rates for imports were eliminated. The two rates for exporters were also adjusted upward.

The measures were regarded as preliminary steps towards broad economic adjustment.

US set to take harder line on lending to East

BY STEWART FLEMING, US EDITOR, IN TORONTO

THE REAGAN administration, under fierce bipartisan pressure from Congress, is expected at the Toronto economic summit, which opened yesterday, to take a firm line on Western loans to the Soviet Union.

The US stance follows the passage last week, by a vote of 96:0 in the Senate, of a non-binding resolution that "the president should consult with allied leaders on the impact on Western security of tied and untied loans, trade credits, direct investment, lines of credit, joint ventures, government guarantees and other subsidies to the Soviet Union, (other) Warsaw Pact countries, Cuba, Vietnam, Libya and Nicaragua."

West-East lending is just one of the political issues which President Ronald Reagan and his senior officials will raise at the summit, but it could prove to be the most problematical.

Mr George Shultz, US Secretary of State, said yesterday that another facet of the political discussions, where Washington will be looking for a co-ordinated international approach, is international drug trafficking. However, he appeared to back away from earlier suggestions that the US might seek international support for US sanctions against the Panamanian strongman Gen Manuel Noriega.

The US is also hoping to make progress in its efforts to secure international support for aid to the Philippines and to Afghan refugees, particularly from Japan, which had plenty of money available, Mr Shultz said last week.

Japan yesterday announced a new five-year plan, under which it would forgive $1bn of debt and interest payments by 17 of the world's poorest countries, including some in sub-Saharan Africa.

US officials have been making clear for the past week that they are anxious for Mr Reagan's eighth and last economic summit to go smoothly.

The Congressional pressure for a co-ordinated approach to West-East lending reflects, in part, unease at the near euphoria which surrounded the Moscow summit of the US and the Soviet Union this month, at the end of which Mr Reagan called for the West to "assist" the Soviet leader Mr Mikhail Gorbachev in his efforts to reform the economy.

There is also unhappiness in Congress with the recent lending policies of West German and Japanese banks. Congressional officials maintain these have been making untied loans to Moscow – loans not linked to specific projects.

Senator Bill Bradley, New Jersey Democrat, in a statement which was seen as indicative of the breadth of bipartisan support for a stricter Western line on loans to the Soviet Union, said the allies "must recognise that the unconditional and unquestioned availability of Western capital to adversaries can threaten Western security interests." He called on the president to work out a "co-ordinated Western approach" to providing such loans.

TORONTO SUMMIT

Briefing papers to reporters travelling with the White House staff to Toronto hint at the hardening of the US position on West-East lending, saying the US "will not make pre-emptive economic concessions in the hope of encouraging the Soviet Union to meet legitimate Western concerns in non-economic areas."

Stars converge for a mutual celebration

Philip Stephens weighs up leaders jockeying for attention and showing clout, but offering few initiatives

THE 14th economic summit of the Group of Seven opened yesterday with pomp, circumstance and promises that there would be no surprises.

As leaders from the US, Japan, West Germany, France, Britain, Italy and Canada gathered in downtown Toronto, the message filtering down to 4,000 eager journalists was that this was to be the occasion for a mutual celebration of past triumphs, not for new initiatives. Financial markets, which had shown signs of petulance at the end of last week, should take note.

However, as the most powerful men and woman in the non-communist world put their heads together to swap views on everything from *perestroika* and farm subsidies to terrorism and AIDS, there would be be plenty of news.

Even before the official welcoming ceremonies in the concrete flying saucer at the centre of Toronto's municipal hall, a flurry of briefings told of momentous discussions already under way.

Mrs Margaret Thatcher, British Prime Minister, had apologised to Mr Helmet Kohl, West German Chancellor, over the appalling behaviour of English football supporters in the latter's country last week. The rampaging fans, detained in their hundreds over the weekend, were not going to be allowed to dent the western alliance.

Mr Kohl's spokesman appeared slightly bemused at all the fuss. Did not all countries have football hooligans? Perhaps Whitehall should be more concerned about the dismal performance of the England team. A West German manager might be the solution, he suggested helpfully.

The West German Chancellor was going to generate his own news. As other nations vied for the credit for the summit's expected accord on increased aid for sub-Saharan Africa, Bonn was adding a new, ecological wrinkle. There should be special additional assistance for those among the very poorest, heavily-indebted nations which were willing to protect the environment by promising not to destroy rain forests. "Environmental conditionality" is how the International Monetary Fund would put it.

The thousands of Canadian mounties (police) guarding the leaders announced their first triumph. An Irishman had been arrested in a Toronto pub for violating immigration laws. He was wanted for questioning, it seemed, by the Royal Ulster Constabulary in relation to unspecified events in the 1970s. The British press corps sensed a big story but Mrs Thatcher's aides confided there had been no threat to her and the arrest appeared coincidental.

Takeshita: Danger of eclipse

Mulroney: Strutting busily

This is a summit for themes, if not for decisions.

It is the swansong of President Ronald Reagan of the US – the occasion for the White House and the US media to chronicle his triumphs abroad during the 1980s. Even the most cynical of US journalists have been infected by the mood. The early days of the dollar's catastophic rise, and insults hurled from the White House at the "evil empire" have been quietly forgotten as Mr Reagan turns in his last major performance.

Close to centre-stage is Mrs Thatcher, ready and willing to assume the role of leader of the western alliance. The Thatcher-Lawson-Howe team, British sources confided, was the most experienced at the summit. There was no hint, however, of whether the three had argued about the pound's exchange rate on the flight over.

President François Mitterrand of France, however, seems determined to take on the Reagan mantle. Attending his first summit for four years without the right-wing Mr Jacques Chirac as prime minister, the newly re-elected president sent the summit's protocol chiefs into turmoil by pointedly arriving after the US president. This is a man who will be not be upstaged by a mere prime minister – certainly not by one from Britain.

Mr Noburu Takeshita, Japan's Prime Minister, seems in danger of eclipse, despite a superb tactical move to grab the first headlines by announcing $1bn of assistance to the poorest countries.

The host, Mr Brian Mulroney, Canadian Prime Minister and chairman of the talks, is feeling far less secure than most of his guests. He has an election to win within the next 15 months and the pundits suggest victory is far from assured.

The summit is his chance to strut on the international stage and he is relishing every moment. Bleary-eyed journalists find him listing Canada's summit priorities on every TV news programme and in a seemingly endless series of interviews in each of the local newspapers.

Whether a three-day media blitz will win hearts among the fur-trappers of Inuktituk must remain an open question.

UK to press EC on aid for Rover

BY DAVID OWEN

BRITAIN is to use the economic summit to increase pressure on the European Commission to approve the UK's proposal to inject £800m into the Rover car group. This is to prepare it for its pending £150m takeover by British Aerospace.

Mrs Margaret Thatcher, Prime Minister, intervened personally in the affair last week by sending a letter to Mr Jacques Delors, president of the European Commission, urging that the EC's inquiry into the sale be swiftly concluded.

British officials in Toronto said that the Prime Minister hoped to arrange a meeting with Mr Delors to discuss the subject during the course of the summit's formal proceedings. "We would like to have the matter concluded quickly," officials said.

Mrs Thatcher's intervention has been interpreted as an indication that the two sides are still far apart on the size of the injection, which the EC hopes to see scaled back by between £250m and £550m.

It is widely feared that such a reduction would force BAe to abandon the takeover and force the Government to seek an overseas buyer.

IRA suspect arrested on visa charge

BY DAVID OWEN

A SUSPECTED IRA member was arrested in Toronto at the weekend, having been identified in a local public house by British security agents.

Michael Derek Collins was later detained at his home in the city and is being held without bail pending an immigration hearing.

The arrest was made on the grounds that Mr Collins's one-month visa had expired. He entered Canada from Ireland in September 1987.

British sources said that Collins was wanted by the RUC in connection with unspecified incidents dating from the 1970s.

Police also confirmed the seizure of a weapons cache in a false ceiling in the Toronto area. The find included several loaded guns, other weapons and around 1,000 rounds of ammunition.

In a separate incident, three Buddhist monks were taken into custody by Canadian security agents after they were discovered shadowing Japanese Prime Minister Noboru Takeshita. The monks who arrived by train in Toronto from Quebec were later released without charge.

Britain is one of a number of G7 countries hoping that a meaningful statement on terrorism will emerge from the Toronto meetings.

Lower vote predicted for PRI in Mexico poll

By Our Foreign Staff in London

MR Carlos Salinas de Gortari, the candidate of the ruling Institutional Revolutionary Party (PRI), is set to win the Mexican presidential election by a solid majority. But he is likely to win a much smaller percentage of the vote than past PRI nominees, an opinion poll concludes.

The poll, taken by the Gallup organisation and released yesterday, indicates that Mr Salinas is ahead with 56 per cent of the vote. The left-wing coalition candidateMr Cuaubtemoc Cardenas is second with 23 per cent and Mr Manuel Clouthier of the conservative PAN party third with 19 per cent. The other candidates have one per cent or less of the vote.

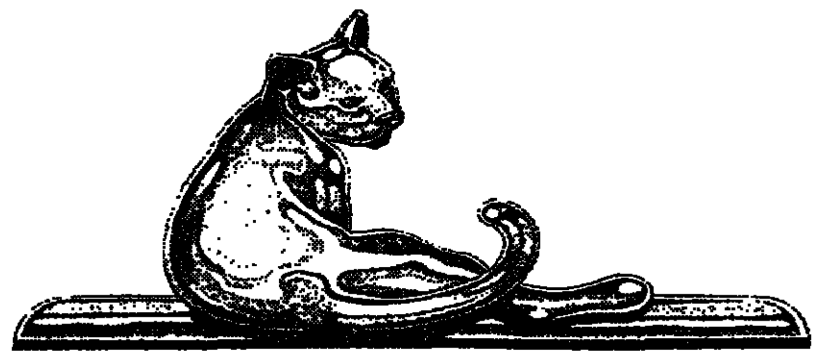
The exact figures in the poll, which was taken for ECO, a US-based Spanish language TV channel, should be taken with more than a pinch of salt: opinion polls in Mexico are notoriously unreliable. But Richard Burkholder of the Gallup Organisation said considerable care had been taken to filter out inaccuracies and distortions, including the use of secret ballots, a wide range of sampling spots and a sample of 1,800 voters.

This election is as much of an experiment for the pollsters as for the politicians. Mr Salinas was handpicked to succeed President de la Madrid as the PRI's candidate, in the time-honoured Mexican fashion. But unusually, he has chosen to open up the elections as a real test of PRI's support and has pledged a clean contest, turning the fairness of the election into an issue.

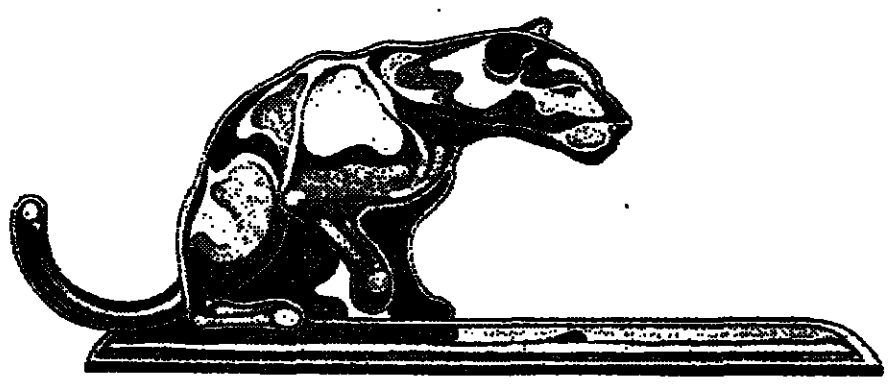
The PRI is unlikely to be too unhappy with the picture the poll shows. Some analysts believe the PRI's position to be worse. But it does represent a drop in support since 1982, when President Miguel de la Madrid won with 70 per cent of the vote. Mr Salinas' camp hopes for 60 per cent.

Mr Salinas's move to open up the Mexican political system is plainly an uphill struggle. Few of the voters polled had any deep knowledge of all the candidates, and only 47 per cent confessed to giving the matter a substantial amount of thought. Moreover, politicians do not score well when voters assess their credibility: 16 per cent believe none of the candidates to be honest.

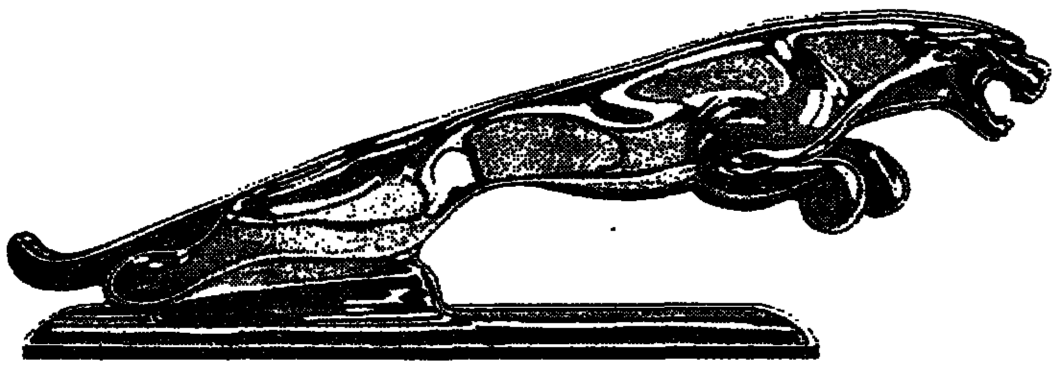
We cover



every Jaguar



until it's up



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We won't make a drama out of a crisis.

West German Green Party split widens

BY DAVID GOODHART IN BONN

THE WEST German Greens – beset by internal faction fighting – are losing their position at the helm of Europe's Green movement and distracting attention from the progress of Greens in other countries, according to Ms Sara Parkin a Co-Secretary of the European Greens, a Brussels-based co-ordinating group.

Ms Parkin, attending a 'Perspective Conference' of the German Greens in Bad Godesberg, urged the Germans to "stop inspecting the green fluff in their own navels" and find a mechanism for dealing with their internal disputes.

"It was the Greens' triumphant entry into the Bundestag in 1983 that captured the imagination of people around the world and put Green politics onto the map. Greens in other countries are thus greatly saddened by their present difficulties," she said.

The Perspective Congress did little to resolve those difficulties. The split between "realos" and "fundis" is, if anything, growing wider, although it has not yet dented the 7 per cent to 8 per cent of the national vote the Greens attract.

The policy differences over how quickly to close down nuclear power stations or pull out of Nato, are real enough, but no greater than the tensions between pragmatists and fundamentalists in most radical parties.

What gives the arguments an extra twist is the forced separation between the Greens' 6,000 holders of political office (from the smallest local council to 43 MPs in the Federal Parliament) and the Green party machine. The mainly realo politicians are not allowed also to hold positions in the party – that remains the preserve of the fundis, who thus keep a grip on policy.

Recently the party's image has been further damaged by a convoluted argument between the Parliamentary grouping and the Party Executive over rape in marriage. And more recently still, allegations of widespread misuse of Party funds have helped undermine the idea of Green purity.

An end to squabbling and drift could, however, be in sight. It has long been assumed that despite their differences realos and fundis needed each other to clear the 5 per cent of the vote hurdle for national representation. An increasing number of realos now believe they can survive, indeed flourish, without the fundis.

Mr Joschka Fisher, a leading realo and former environment minister in Hesse, believes that without fundi dogma the Greens would appeal to German Yuppies.

Nine Red Brigades members arrested

By Alan Friedman in Milan

NINE members of Italy's Red Brigades have been arrested in Milan, in a police raid which uncovered an arsenal of munitions and propaganda material.

In one of the biggest raids conducted by Italian authorities in recent years, police found machine guns, pistols, bombs, the equivalent of £26,000 in cash and thousands of pages of propaganda material.

Magistrates began interrogating the nine suspected terrorists at the weekend, among whom is believed to be a trade union official. They believe it is possible the Milan "cell" was planning a major assassination or robbery.

The investigating magistrates are also examining the weapons cache and believe some of the arms found may have been used in past Red Brigades murders.

The raid took place at a two-room apartment on the fifth floor of a nondescript building near the edge of Milan.

With the weapons were found posters, banners, leaflets and documents relating to the Red Brigades.

The cash is thought to be part of the proceeds of a Red Brigades attack on a postal van in Rome early last year.

ACHILLE OCCHETTO HEADS OPPOSITION'S NEW GUARD

Italian communists seek to stem decline

BY JOHN WYLES IN ROME

THE Italian Communist Party's increasingly desperate search for an electorally rewarding new role will receive an uplift tomorrow with the installation of Mr Achille Occhetto as its new leader.

Whether the changing of the guard in Italy's main opposition party will bring with it a lasting change of fortune is still open to doubt. The rank-and-file are looking for a leadership capable of reversing the party's steady electoral decline, but a winning formula has so far remained elusive.

Ms Nilde Iotti, a senior PCI leader who is now president of the lower house of parliament, said during a visit to England last week that the party had been lacking a charismatic leader since the sudden death of Mr Enrico Berlinguer in 1984.

Mr Alessandro Natta, the 69-year-old successor to Mr Berlinguer, who is stepping down under the twin pressures of failing health and falling polls, is a man of sterling qualities, said Ms Iotti, but not sufficiently strong to combat the appeal of Mr Bettino Craxi, the Socialist leader, nor even that Mr Ciriaco De Mita, the Christian Democrat leader who is currently prime minister.

Mr Occhetto's charisma within the party is strong enough to guarantee his elevation unopposed from vice-secretary to secretary.

But it will be a struggle for him to change the party's identity without reconstituting the party's ruling group, currently a fuddled mixture of nostalgic Marxists and closet Social Democrats, of old campaigners bloodied in the industrial battles of the 1960s and 1970s and young reformers in their forties.

Mr Occhetto, 52, is promising a "new road" for the party without saying what it should be – an approach which encourages a dissentient rump to argue that the party should first decide its "line" and the choose its leader.

A quick-witted, combative former leader of the young Communists, the new secretary already has an illustrious party career behind him. He is clearly effective with the members, but his challenge will be to reach out to the non-believers.

A 15.6 per cent rise in exports helped contain the Italian trade deficit in April to L665bn (£291m), compared with L1,381bn in the same month last year, John Wyles reports from Rome.

Imports were 8.6 per cent higher than in April 1987, reaching L14,475bn. In the first four months, the import total reached L56,475bn – 9.2 per cent up. Exports increased by 6.5 per cent to L49,345bn to register a four-month trade deficit of L5,241bn against L5,371bn a year ago.

Montedison in Hungary venture

BY ALAN FRIEDMAN IN MILAN

ITALY'S Montedison chemicals concern has agreed a joint venture in Hungary for the construction of two plants for the production of polystyrenes.

The deal will see Montedipe, a Montedison subsidiary, taking a 35 per cent stake in the venture. Dunai Koolajipari Vallalat (DKV), a Hungarian company, will also have 35 per cent, while the World Bank's International Finance Corporation will have 15 per cent and Hungarian institutions will hold the remaining shares.

The value of the deal was not disclosed, but Montedison said that IFC and Monte dei Paschi di Siena, an Italian bank, would provide financing for L90bn (£39m) toward the project.

The joint venture company, to be called Dunamont, will begin production in March 1991. Annual output of 45,000 tonnes of anti-shock polystyrene, under licence from Montedipe, is forecast.

● Pressindustria, a Milan-based chemicals research and plant engineering company, has signed an agreement to form a joint company in the Soviet Union to operate in the field of applied research for the production of synthetic rubbers.

The accord creates a Moscow company called Sinion, to be owned 60 per cent by the Soviet Union and 40 per cent by Pressindustria.

Greenpeace admits warships protest

GREENPEACE activists said they were responsible for painting symbols of radioactivity on US and Soviet warships in the Mediterranean at the weekend in a protest against nuclear arms at sea.

Italian television yesterday showed Greenpeace film of the protest, which the group said took place in the Gulf of Hammamet off the Tunisian coast.

SHIPPING REPORT

Tanker market enjoys revival

By Kevin Brown, Transport Correspondent

THE oil market remained confused and volatile last week in response to what traders saw as the inability of the Organisation of Petroleum Exporting Countries to resolve their production quota problems.

Crude oil prices drifted downwards after the decision by Opec oil ministers to roll over their present ceiling of 15.06m barrels a day, which is generally thought to be about 3m b/d lower than actual production.

But the tanker market enjoyed something of a resurgence as the number of inquiries rose, leading to a slight increase in rates and a substantial increase in prospects for owners.

Brokers said excess production appeared to be going into storage, and E.A. Gibson said there were unconfirmed reports that a number of vessels had been recently taken for this purpose.

In the Gulf, demand for very large crude carriers was noticeably higher.

Apathy and protests mark Polish council elections

APATHY, protests and an opposition boycott marked voting across Poland yesterday, in elections for provincial and local councillors, Reuter reports from Warsaw.

About 26m Poles were eligible to vote for 254,000 candidates contesting 108,846 council seats that are renewed every four years.

The vote was held under a new electoral law that disappointed liberalisation hopes aroused last year by General Wojciech Jaruzelski, Poland's leader.

The opposition announced a boycott to protest at the prior distribution of seats among the communist party and its allies.

According to election officials, the distribution will be 43 per cent for the communist party, 18 and 4 per cent for its Peasant and Democratic Party allies, and 35 per cent for non-party candidates.

WORLD ECONOMIC INDICATORS

INDUSTRIAL PRODUCTION
(1980 = 100)

					% change over previous year
	May '88	Apr.'88	Mar.'88	May '87	
US	125.2	124.8	124.0	118.0	+6.1
	Apr.'88	Mar.'88	Feb.'88	Apr.'87	
UK	116.3	114.6	112.6	111.5	+4.3
Japan	111.3	112.3	111.7	100.3	+11.0
	Mar.'88	Feb.'88	Jan.'88	Mar.'87	
W.Germany	110.0	108.5	106.6	105.9	+3.9
France	106.5	105.3	105.8	103.5	+2.9
Italy	104.2	104.8	110.1	100.9	+3.3

Source: (except US) Eurostat

FINANCIAL TIMES CONFERENCES

TWO BANKING CONFERENCES ON THE EVE OF THE FT CENTENARY EXHIBITION

THE FINANCIAL SERVICES ACT - LEGISLATION IN ACTION - JULY 5
and
BLACK MONDAY - NINE MONTHS AFTER - JULY 6

These two conferences with exceptionally distinguished speakers are to be held at the London Inter.Continental Hotel. Mr David Walker is to deliver his first address as SIB Chairman on July 5 and the Hon Francis Maude, MP, Sir Martin Jacomb, Mr John Morgan, Mr John Young and Professor Charles Goodhart are among the contributors. Deloitte Haskins & Sells are co-sponsoring and Mr Keith Woodley of that firm will be in the Chair.

On the following day, the conference, Black Monday - Nine Months After, brings to the FT platform Sir George Blunden and Professor Robert Glauber of the Brady Task Force as well as the Rt Hon Denis Healey, MP, Mr Terry Smith and Mr Gordon Macklin. Mr Jack Hennessy is to chair and deliver the opening address. The conference looks at the reasons for the events of late October, the responses of regulators, markets and players, the risk of further trouble and the robustness of the securities industry should that occur.

CENTENARY EXHIBITION AND EVENTS
London, 7, 8 & 9 July 1988

For the first time ever the FT is holding a series of conferences, workshops and events for its readers over the three days of the Centenary Exhibition which will be held at the Queen Elizabeth II Conference Centre in Westminster. Offered at £10 each, conference subjects include Capital Protection and Growth, Personal Pensions, Alternative Investments, Expatriate Requirements, Gold, the 1988 Budget & Personal Financial Planning and an Introduction to Investment. The programme of events includes an evening cruise and symphony concert, a Sotheby's tutored tasting of investment quality wines and a book reviewers' evening chaired by the FT Literary Editor. Lucia van der Post, Editor of "How to Spend It" and a team of experts, will devote an afternoon to executive fashion for men and women - an important way of investing in yourself. The Exhibition and conferences are designed to enable investors to meet and hold discussions with bankers, brokers, investment advisers, fund managers, tax planners, pensions consultants and firms offering alternative investments in this central London location.

COMMERCIAL AVIATION TO THE END OF THE CENTURY
London, 30, 31 August & 1 September 1988

The accelerating pace of expansion in commercial aviation worldwide and the impact this will have on all existing facilities for the rest of this century will be the subject of the Financial Times latest conference to be held in London on 30, 31 August & 1 September, 1988 just before the Farnborough International Air Show. Speakers will include Sir Colin Marshall, Mr Heinz Ruhnau, Dato Abdul Aziz Abdul Rahman, Dr Günter Eser, Mr John Hayhurst, Mr Jim Worsham, Mr Stuart Iddles, and Mr Sydney Gillibrand, the guest lunch speakers will be The Lord Brabzon of Tara, Parliamentary Under Secretary of State for Transport and Mr Matthew Scocozza, Assistant Secretary for Policy and International Affairs, US Department of Transportation.

All enquiries should be addressed to:
The Financial Times Conference Organisation, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 01-925 2323 (24-hour answering service) Telex: 27347 FT CONF G Fax: 01-925 2125

Japanese strive to become good Europeans

Under pressure from anti-dumping offensives, Japan's businessmen are eager to get inside the European market before internal trade barriers fall in 1992, reports Ian Rodger

1992 THE EUROPEAN MARKET

EXECUTIVES OF Japan's manufacturing companies often express the wish these days to be "insiders". However, this odd-sounding desire has nothing to do with illicit share trading. Rather, it is a charming Japanese way of expressing a sudden wish to be good corporate citizens in Western Europe.

Battered by anti-dumping charges, worried about their place in the post-1992 unified European Community, Japanese companies are now scrambling to upgrade both their images and their operations in Western Europe.

Sony, the undisputed paragon for the moment, proudly presents in one hand its (two) Queen's awards for export from the UK while showing in the other the Sony brand wine from the vineyard it so respectfully preserved when setting up a plant in Alsace two years ago.

On a more substantial level, many Japanese companies are now talking about rationalising production in their European plants, boosting their research and development activities in Europe and moving more and more decision-making power to European headquarters.

Ostensibly, all of this focus on Europe is attributable to the approach of 1992, the year when internal trade barriers among European Community member countries are scheduled to be dismantled.

The Japanese, it is said, are convinced that the EC is going to become ultra-protectionist and they want to be well established in Europe by the time that happens.

In fact, 1992 has little, if anything, to do with it. Rather it is the European Commission's anti-dumping offensives of the past two years which have really concentrated the minds of Japanese executives.

Those offensives have exposed how little the Japanese have so far contributed to the European economies. They have shown that, in the first instance, Japanese companies have preferred to import into Europe rather than set up local manufacturing.

Then, in response to European political pressure, they established simple assembly plants to put together Japanese-made components. At the beginning of 1987, the 220 Japanese companies operating in the EC employed 75,000 people, less than IBM alone. Latterly, they have complained that it is difficult to raise local content because of the lack of suppliers in Europe of high quality components.

However, now the pressure is on. The Japanese know that unless they change their ways, they will be run out of European markets, with or without 1992. And they all feel that European markets are simply too important to ignore.

With a few exceptions, such as Sony, Nissan and a couple of others, Japanese companies make little attempt to justify their past performance in Europe. The emphasis these days is on future commitment.

Take, for example, the case of Canon, the large cameras and office equipment group. Canon's goal, as explained by its president, Mr Ryuzaburo Kaku, is nothing less than to make its operations in Europe self-sufficient by 1992.

"We plan to be able to supply everything we need for our European operations in Europe," Mr Kaku said in a recent interview.

The immensity of this commitment would be difficult to overstate. Of the group's total sales today, about 30 per cent are in Europe, but less than 15 per cent of Canon's total production is now done outside Japan.

Mr Kaku has also fully embraced the idea that Canon has to contribute to the regions in which it does business. "For example, we are not going to take the profits from our French plant back to Japan," he says. "We want that to be a French company, to pay taxes in France and re-invest in France. If we are going to work internationally, that is the philosophy that has to be followed."

Others recite a similar creed. Mr Michihiro Okuhara, senior manager for research and planning in the international business promotion division of the electricals group Toshiba, muses about the problem of becoming a true European corporate citizen.

"Factories may not be the decisive element," he says. "We have to commit ourselves to an overall presence, increase R&D activity and give our European operations more independence."

Nissan, too, is working to be what Mr Yoshikazu Kanawa, the company's board director with responsibility for European sales, calls an "insider" in Western Europe. The company is already designing and building cars in Europe, and last month agreed to set up the embryo of what it hopes will become a European headquarters with considerable independence from Tokyo.

Most companies insist that they would be going along this route even without the approach of 1992. Sony, which began overseas production in the early 1970s, is well ahead of the others, employing overseas nationals as managers, developing local R&D expertise and integrating production of overseas factories.

Its factory at Bridgend in Wales makes television picture tubes for factories in Barcelona and Stuttgart. The factory in Alsace makes components and sub-assemblies for other European plants.

However, Sony and other electronic product makers say there is a limit to how much rationalisation is practical, and they doubt that 1992 will make much of a difference to their thinking.

"Naturally, if we have one big factory, we get the benefit of mass production, but we find that that is not necessarily the most efficient way," Mr Kaku of Canon says. "Even if it were possible to build one large facility in Europe, we would probably have separate ones."

Matsushita says that it has three factories in West Germany alone for making video-cassette recorders and VCR parts. Toshiba points out that some of the proliferation of plants in the past is attributable to history, such as its former joint venture with Rank for making television sets, rather than to politics.

Nissan is a clear exception to these patterns. The company says it has accelerated its production plans in Europe because, from 1992, it will be able to get over the protectionist barriers against Japanese cars in individual European markets.

"We have made a tremendous investment in Europe. We are ahead of the other Japanese manufacturers. Why not take advantage of it?" Mr Kanawa asks. He says the company also hopes to achieve considerable rationalisation of parts manufacture in the UK and Spain once European standards are harmonised.

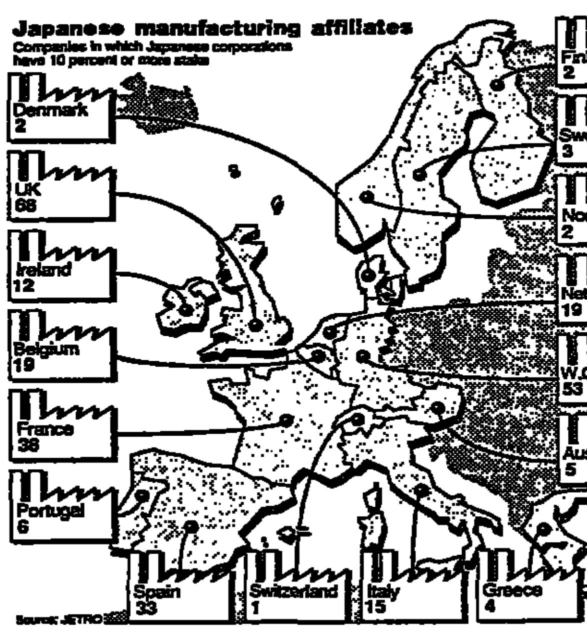
Japanese businessmen's attitudes to 1992 vary considerably. Almost all of them expect that the EC will become more protectionist, but most are not particularly distressed about it. Their objective is to be insiders, so as not to be affected by the protectionism. "The EC will become a hard shell for outsiders, so we will have to be inside," says Mr Okuhara of Toshiba.

They are also loth to criticise European companies for seeking some advantages over foreign-based companies in the European market. "If I were European, I would argue for a privileged position too," says Mr Okuhara.

Mr Kaku of Canon says it might be beneficial to give European companies some advantages so that they become more competitive. "But if they did not become more competitive, then everybody would suffer," he declares.

Japanese businessmen are also sceptical about the likelihood of the unification process being achieved in 1992, and they wonder if the motivation for unification is as positive as it should be. "I wonder if they are doing it mainly to respond to the enemy, Japan," one said.

Mr Okuhara, for one, emphasised that unification would not bring an end to the problems of European industry.



EC member states to end barriers in truck industry

BY WILLIAM DAWKINS IN BRUSSELS

EUROPEAN Community member states are expected to agree to scrap more than a dozen barriers to free trade this week, including long-delayed plans to liberalise the truck industry and to give professionals the right to practise across the European Community.

The accords on trucks and diplomas would signal the end of years of bitter inter-ministerial wrangling on the two issues, both put forward by the European Commission as vital keys to its scheme to create a free internal market by 1992.

The rest – also part of the internal market plan – include an ending to exit formalities for some classes of trade, a package of three simplified customs storage rules, four wide-ranging EC food safety laws, and common standards for construction products, tractors, pharmaceuticals pricing and cosmetics labelling.

They follow a plea by Mr Helmut Kohl, the West German Chancellor, to his fellow EC leaders to sink their differences on some of the more politically sensitive plans for scrapping internal trade barriers before he hands over the EC presidency to Greece at the end of the month.

The accords will be a political boon for a West German presidency that has pinned its reputation on making progress on the internal market, where it has few achievements so far outside financial services.

Yet Bonn is expected to fail to get significant progress on other major points outlined in Mr Kohl's letter, EC officials warn.

Those include controversial plans for an EC merger control regulation – France and the UK are sceptical – a Community trade mark, blocked by rows over which country should host an EC trade mark office, and freer competition for public works contracts.

Ironically, West Germany itself had provided the main resistance to the truck liberalisation scheme, which will ban by 1992 country-to-country and EC-wide quotas on the number of truck journeys allowed between member states.

A surprise compromise emerged late last week after five meetings between Mr Stanley Clinton Davis, the European Transport Commissioner, and Mr Jurgen Warnke, the West German Transport Minister.

Bonn had refused, under pressure from its highly protected and influential truck drivers, to give a firm guarantee to scrap quotas. In the end, it settled "to take necessary measures" to end quotas by 1992 and to replace them with EC licences which give hauliers freedom to drive anywhere on condition that they work to high standards.

The diplomas accord will allow members of government-regulated professions to practise freely across the EC subject to basic training periods or tests in their new country.

Minister predicts cut in Belgian taxes

MR PHILIPPE MAYSTADT, Belgium's Finance Minister, yesterday said that he hoped to have measures to cut Belgian income tax rates, which are among Europe's highest, through Parliament by the end of this year, Reuter reports from Brussels.

Speaking on RTBF television, Mr Maystadt said that there was a broad political consensus on the main details of the BFr92bn ($2.5bn) reform package.

He said the five-party centre-left coalition government of Christian Democrats, socialists and Flemish regionalists which was formed last month aimed to submit the draft tax reform law to parliament before the August summer recess.

The bill should be voted on by year-end and phased in over four years, beginning with income earned next year, he added.

Belgium has the highest taxes of any European Community nation except Denmark. Mr Maystadt said that they had to be reduced if Belgium was to remain competitive internationally, especially in view of tax reductions under way in other countries.

But he stressed the reform would not be allowed to add to the Government's heavy budget deficit, which the coalition aims to cut to 7 per cent of gross national product by the end of 1989 from an estimated 8.5 per cent this year.

"The tax reform must be neutral in budget terms. That means [it] may neither aggravate nor reduce the budget deficit," he said. Most of the cuts in direct tax would be financed by raising revenue in other ways from individuals and business.

To encourage an improvement in the country's low birth rate, it also favours families with several children.

W Germany 'to back Airbus loan to East'

WEST GERMANY is planning to guarantee a commercial loan to the East German Government to help finance the purchase of three aircraft from Airbus Industrie by the East German state carrier Interflug, the West German weekly Der Spiegel reported, AP-DJ reports from Frankfurt.

The loan of more than DM1bn would carry an annual interest rate of 4.9 per cent and run over a 16-year period, the magazine says today. The Government's guarantee allows much better terms than East Germany could get in financial markets.

The driving force behind the loan, which is believed to be lead managed by Dresdner Bank AG, is Mr Franz Josef Strauss, the conservative prime minister of Bavaria.

Mr Strauss is also chairman of Airbus supervisory board.

Mitterrand's popularity drops sharply

BY PAUL BETTS IN PARIS

PRESIDENT François Mitterrand and Mr Michel Rocard, the Socialist Prime Minister, have both seen their popularity drop sharply in the first public opinion poll since last Sunday's French general election, in which the Socialist Party failed to gain an absolute majority in Parliament.

Mr Mitterrand's popularity declined by 5 points while Mr Rocard's plunged by 15 points in the monthly IFOP poll published by the Journal du Dimanche yesterday. Before the general election, 54 per cent of the 1,800 people questioned were satisfied with Mr Mitterrand and 53 per cent with Mr Rocard. After the election, 49 per cent said they were satisfied with Mr Mitterrand and only 38 per cent with Mr Rocard.

The latest poll contrasts sharply with the "state of grace" Mr Mitterrand and his first left-wing Government enjoyed after his victory in the 1981 presidential election, followed by a snap election in which the Socialist Party won an absolute majority in the National Assembly.

Apart from the general weariness of French voters at large, confirmed in the record abstention rate in the general election, the poll published yesterday also appears to reflect disappointment in the failure so far of President Mitterrand's policy of political overture to the centre.

However, although Mr Mitterrand's efforts at overture have up to now been frustrated by the right, there have been signs in the last few days suggesting that he may gradually attract support from the centre.

The decision last week of the CDS Christian Democrat centrists to form an independent political group in the National Assembly is widely seen as a first step which could gradually lead to a rapprochement between the Socialists and the centrists.

Mr Raymond Barre, the former right-wing Prime Minister, also confirmed last week his intention of adopting a policy of "constructive opposition" to Mr Rocard's minority Socialist Government by agreeing to meet Mr Rocard to discuss the future of New Caledonia.


Mitterrand: 49 per cent are satisfied with him

Moreover, one of Mr Barre's aides took part in the recent delegation sent to New Caledonia by Mr Rocard to re-establish a dialogue between loyalists and separatists.

However, both Mr Barre's attitude towards the Government and the CDS decision to form an independent parliamentary group has caused considerable agitation and anger inside the traditional right, where a power struggle is gathering steam.

Indeed, Mr Barre's camp had to deny vigorously a report published in the Figaro-Magazine on Saturday which claimed that the former Prime Minister had met Mr Mitterrand just before the general election to seal a tacit agreement whereby Mr Barre would be asked by Mr Mitterrand to form a new government after next year's municipal elections.

Mr Barre's supporters angrily dismissed the magazine report as an underhand effort by some of Mr Barre's right-wing opponents to undermine his credibility.

Cyprus reunification talks announced

MR GEORGE VASSILIOU, Cyprus President, has agreed to meet Mr Rauf Denktash, Turkish Cypriot leader, to discuss re-unifying the divided Mediterranean island, according to an official announcement published yesterday, AP reports from Nicosia.

Mr Vassiliou agreed to a proposal by UN Secretary-General Javier Perez de Cuellar to resume intercommunal talks after a meeting on Saturday of the National Council, which includes representatives of all Greek Cypriot political parties, the announcement said.

In a recent report to the UN Security Council on Cyprus, Mr Perez de Cuellar said he asked the two leaders to meet soon without preconditions to seek a settlement of the Cyprus problem based on a two-state federation.

The announcement said Mr Vassiliou, after hearing the views of the parties, "decided to respond positively and accept the UN Secretary-General's proposals as they stand."

A Greek Cypriot official, who declined to be named, said the talks might start in July in Geneva during a visit there by Mr Perez de Cuellar.

Turkish Cypriot officials have indicated that Mr Denktash would accept the Secretary-General's proposal and meet Mr Vassiliou, but no official announcement has been made.

Cyprus has been divided since Turkish troops invaded and captured the northern third of Cyprus after a Greek Cypriot coup d'état aimed at uniting the island with Greece.

Turkish Cypriots, a one-fifth minority in the island of 650,000, have formed their own breakaway state, headed by Mr Denktash, in the Turkish-controlled territory.

Several rounds of talks between Turkish and Greek Cypriot leaders, under UN mediation, have failed to resolve disputes over the form of a federation and withdrawal of some 29,000 Turkish troops stationed in northern Cyprus.

MPs to meet Tehran officials

BY ANDREW GOWERS, MIDDLE EAST EDITOR

AN ALL-PARTY group of British parliamentarians was yesterday flying to Tehran in what one of them described as an attempt to make a "small but positive step" towards improving Anglo-Iranian relations.

The four – Conservative MPs Cyril Townsend and Robert Hicks, Tom Clarke (Labour) and Lord Tordoff (Social and Liberal Democrat) – were expected to meet senior Iranian officials, possibly including Mr Ali Akbar Hashemi Rafsanjani, the powerful Parliament speaker, for talks on a wide range of issues including the Gulf war and the obstacles to better ties between London and Tehran.

The talks were also expected to touch on the question of three British hostages held by pro-Iranian kidnappers in Lebanon. But everyone involved was at pains yesterday to point out that this would be only one item on a much larger agenda, and that there was no question that the group could or would negotiate for the hostages' release. Some MPs expressed concern that the significance of the fact-finding mission, which results from an initiative by the Church of England rather than the Government, was being overplayed.

None the less, the delegation is expected to seek to build on recent signs that Iran is looking for ways of reducing its international isolation following a series of setbacks in its war with Iraq. Iranian leaders have in the past week specifically expressed a desire to improve relations with Britain, which has had no permanent representation in Tehran since a tit-for-tat series of expulsions of diplomats last summer.

For its part, Iran will be looking for signs that Britain is prepared to be more accommodating towards its search for a face-saving way out of the Gulf war.

Mr John Lyttle, a personal representative of Dr Robert Runcie, the Archbishop of Canterbury, was still in Tehran yesterday. According to Iranian media reports, he delivered a letter from Dr Runcie to Iranian officials expressing the hope that efforts to improve relations might eventually lead to the release of the hostages, including the Archbishop's special envoy Mr Terry Waite.

Czechs crack down on rights meeting

BY JUDY DEMPSEY IN VIENNA

THE Czechoslovak authorities deported 32 foreigners at the weekend following a clampdown at a meeting in Prague between human rights and peace activists from both East and West. It is the clearest indication yet that the authorities are reluctant to push ahead with *glasnost* (openness).

Members of Charter 77, the independent human rights movement, and the newly established Czechoslovak Independent Peace Association had invited participants from Poland, Hungary, East Germany, Yugoslavia and several Western countries to attend a three-day seminar.

The seminar, called "Prague 88", had intended to focus on issues including democracy and human rights, conscientious objection and the establishment of a European Peace Parliament.

But when the first session opened in Prague on Friday evening, several members of Charter 77 were detained. On the following day, after several hours of detention, 32 foreigners were deported.

Mr Rob Leavitt, a member of the Institute for Defence and Disarmament Studies based in Massachusetts, was deported, along with three other Americans, to Vienna.

"We not told why we were being deported," said Mr Leavitt yesterday in Vienna.

He added: "They [the police] only told us we had violated paragraph 3 of law 68/65. But they didn't tell us what the law was. They said they hadn't the authority to tell us on whose authority we were being deported."

Other deportees said it was clear that the Czechoslovak authorities were unwilling to allow its citizens to get together informally to discuss human rights and peace, in spite of the fact that similar meetings had taken place in Moscow, Warsaw and Budapest.

Armenian tension continues

HOOLIGANS smashed windows in houses in two towns south of Yerevan, the radio in the Armenian capital reported. It appealed for calm as tensions continued over a disputed territory in Azerbaijan, Reuter reports from Moscow.

Yerevan Radio said the disturbances happened on Friday in Masis and Sayat Nova, near the Turkish border, the BBC's monitoring service reported.

"The window panes of a number of houses have been shattered and damage has been caused to household furnishings," Yerevan Radio said.

It said there had been no injuries and authorities had taken decisive measures to restore order. Appealing for civilised and calm behaviour, it said lawbreakers would be punished.

In recent weeks there have been demonstrations in Yerevan and other Armenian cities for the unification of Armenia with Nagorno-Karabakh, a region of Azerbaijan whose population is 75 per cent Armenian. Azerbaijan leaders oppose the move.

Libya in tax pact with Algeria

LIBYA and Algeria yesterday signed agreements dealing with taxation and investment, the official Libyan news agency JANA reported, AP reports from Rome.

The agency said one agreement eliminated double taxation and another established an "Arab Libyan Algerian bank" for investment.

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UK NEWS

Industry group says outlook is 'less buoyant'

BY MICHAEL PROWSE

THE OUTLOOK for British industry is less buoyant than in recent months, says the Confederation of British Industry in its June survey of industrial trends, out today.

The survey covers 1,357 companies which together employ about half Britain's manufacturing workforce. It forecasts a small reduction in the growth of manufacturing output in the next four months and reveals a slight loss of confidence on the part of British industrialists.

The balance of companies predicting increases in output (those expecting increases less those expecting declines) was 30 per cent in June, compared with 34 per cent in May.

The balance of firms reporting "above normal" order books was 13 per cent, compared with 21 per cent in May. This was the weakest figure for order books since November.

Export order books were also slightly less strong, with 23 per cent of companies reporting above normal orders compared with 25 per cent in May.

The balance of companies expecting prices to increase over the next four months rose to 21 per cent in June, from 18 per cent in May, but remained well below levels recorded earlier in the year.

Mr David Wigglesworth, the chairman of the CBI's economic situation committee, said the slight weakening of order books "could be an indication that the rate of economic growth is starting to moderate to more sustainable levels."

However, he warned against reading too much into a single month's figures and said next month's quarterly trends survey would give a clearer picture of economic developments.

So far as inflation was concerned, it was encouraging that "the growth in output continues to match demand."

The findings of the CBI survey are in line with recent macroeconomic statistics. Figures released by the Central Statistical Office on Friday show that manufacturing output, although at the highest level since 1974, is no longer growing rapidly.

Output in the three months to April was 0.2 per cent lower than in the previous three months.

Official figures also show that inflation is rising. The retail price index rose by 4.2 per cent in the year to May, the highest increase for seven months.

Review heralds tough line on alcohol abuse

BY PETER RIDDELL, POLITICAL EDITOR

THE GOVERNMENT is to review its policies on alcohol abuse, and may consider increases in alcohol taxation and curbs on its advertising.

The review follows demands by *Mrs Margaret Thatcher, the* Prime Minister, that urgent action is necessary to combat recent outbreaks of drunken violence by young people.

Proposals on alcohol abuse have been under consideration for some time by a ministerial committee chaired by Mr John Wakeham, the leader of the House of Commons, and discussions with the drinks and advertising industries have take place.

However, new impetus has been given to the review by reports of serious disturbances involving young people in several rural south-eastern at weekends, as well as by the violence in West Germany by English football supporters during the present European football championship.

Mrs Thatcher is furious at these events and, as so often in Whitehall, her involvement has shaken up the discussions, with ministers and officials urgently putting together a range of options. This involves both the Wakeham committee and a report being prepared by Mr Douglas Hurd, the Home Secretary, on measures to tackle hooliganism.

Among the main options being investigated are:

- Increases in Government *duties on beer and possibly other* alcoholic drinks to raise the price, which has declined in real terms, and to extend the recent budget concession in favour of low-alcohol and alcohol-free drinks;
- Orders by the Home Office to magistrates to be more restrictive in granting liquor licences and in approving late-night extensions;
- Further encouragement to brewers and advertisers to tone down advertising aimed at young people.

Any changes in the level of duty on alcohol would be closely scrutinised by the Treasury, particularly in view of European Community efforts to harmonise indirect tax levels. The Treasury is thus refusing to make any commitment yet on the structure of alcohol taxation.

The subject of alcohol advertising has already been closely scrutinised by the Wakeham committee which rejected calls for banning television and cinema advertising and instead proposed changes in the code of practice for such adverts. The Independent Broadcasting Authority and the Advertising Standards Authority are preparing an adjustment of the code to take account of this concern.

However, much stronger action was urged by Baroness Masham's report on alcohol and young people for the Home Office Standing Conference on Crime Prevention. This called, among other measures, for a ban on alcohol adverts on television and cinemas.

Yesterday, in a BBC Radio interview, Lady Masham noted that the Home Office had been looking at the report since last November and stressed the "very serious" nature of the problems. She urged restrictions on drinking in public places and a more active role for licensing justices.

On the same programme, Mrs Ann Taylor, a Labour home affairs spokesman, said the Government had got its policies and priorities wrong, since the recent Licensing Act had extended licensing hours, encouraging more drinking and longer drinking, before the problems associated with alcohol had been tackled.

The act, which recently became law, allows pubs to open for up to 12 hours from Monday to Saturday, and because of a mistake in the House of Lords by Lord Ferrers, a Home Office Minister, an extra hour of drinking will be permitted on Sundays.

Maggie Urry writes: Mr Alick Rankin, chief executive of Scottish & *Newcastle Breweries*, said: "The (Government's) proposals would appear to penalise the large majority of people who enjoy and utilise drink in a sensible way." He argued that current concern was focused on the behaviour of "a very small but irritating minority of people" and that measures under discussion seemed to be an over-reaction.

Mr Rankin added that the real issue was the motivation of alcohol abusers. He said "we must be very careful we are not dealing with the manifestation rather than the root cause."

Mr Rankin, who is also vice-chairman of the Brewers' Society, a trade body, said: "The brewing industry and my company support moderate drinking in every way." Brewers had, he said, developed and launched products which are lower in alcohol or alcohol-free.

He said it would be hard to gauge the effect on brewers of the proposals until specific measures had been put forward.

THF says it would sell Savoy stake

BY PHILIP COGGAN

TRUSTHOUSE FORTE has said it would be willing to sell its stake in the Savoy Hotel group if a buyer appeared prepared to pay the current share price.

The statement came in a letter to Savoy group shareholders, sent as part of the long-running battle between Trusthouse Forte, one of the largest hotel groups in the world, and the much smaller Savoy group.

Trusthouse Forte owns 69 per cent of the Savoy equity – but controls only 42½ per cent of the votes because of a two-tier share structure introduced in 1951.

Mr Rocco Forte, chief executive of Trusthouse Forte, said yesterday: "We are not aiming to be sellers of the shares. Our prime purpose is eventually to gain control of the Savoy group."

But Trustforte Forte regards the current Savoy share price as "completely unrealistic". It has said that it is not prepared to acquire any further Savoy shares at current prices.

Trustforte Forte says speculation that it would be prepared to pay high prices for small amounts of shares has buoyed up the Savoy share price. However, Trusthouse Forte says it has not acquired any shares in Savoy since 1983.

Trusthouse Forte says that the Savoy Hotel group is capitalised at £680m, representing a price/earnings multiple of 72. This would effectively value the hotel chain, which includes Claridge's and Connaughts as well as the flagship Savoy Hotel on the Strand, central London, at approaching £1m per room.

If Trusthouse Forte does obtain more than 50 per cent of the votes, it says it would make a general offer "at a fair value" for the remaining shares.

Trusthouse Forte's brokers, Phillips & Drew, consider that on normal trading grounds the value of the Savoy group would be between £175m and £200m.

The circular to Savoy shareholders concerns an Extraordinary General Meeting which is due to be held on July 1.

At that meeting, the Savoy board is asking shareholders to censure Trusthouse Forte for its latest round of litigation against the company.

Central to the dispute is a key 5.77 per cent of high-voting "B" shares which Trusthouse Forte is seeking to have disenfranchised.

Trusthouse Forte claims that the shares, which are beneficially owned by a Swiss-based charity, were improperly issued.

The Savoy board, however, says that if the shares are disenfranchised then Trusthouse Forte will be given effective control of the company, and that this would not be in the best interests of shareholders.

But even if the Savoy board wins the vote at the EGM, Trusthouse Forte is likely to press ahead with its court action.

Unions brace for final split over outlawed no-strike deals

BY PHILIP BASSETT, LABOUR EDITOR

BRITAIN'S unions look set this week for a significant split when the Trades Union Congress's general council votes to suspend from membership the EETPU electricians' union for refusing to obey instructions from the unions' umbrella body to withdraw from two single-union, strike-free agreements.

Senior union leaders said yesterday that no compromises were available. They said the TUC had to uphold its decisions regulating inter-union conflict.

The general council is expected to vote on Wednesday to give the EETPU formal notice of suspension, to come into effect within about two weeks.

Leaders of the EETPU said yesterday in Scarborough, north east England, as union shop stewards gathered for a series of conferences, that they expected no union other than the electricians' ally, the AEU engineering union, to vote against suspension.

The EETPU's executive confirmed its refusal to accept the TUC's instructions on its deals with Orion Electric in South Wales and two Christian Salvesen depots. Union leaders said they had racked their brains to try to find a formula to prevent suspension, but could not do so.

Insisting that the union would not accept the TUC's instructions, Mr Eric Hammond, EETPU general secretary, said: "It has become a black and white position: you either accept the instructions and stay in, or you don't accept them and go out."

He hoped the split would be a separation rather than a divorce, but said that even if the EETPU merged, as planned, with the AEU, the new union would not accept the TUC's order on the two agreements, which might lead to it too being excluded.

EETPU executive members and officers yesterday presented reports of soundings taken in the union among shop stewards, at local conferences and among members on the issue. They were showing support for the union's stance, with some unofficial local votes recording majorities of more than 90 per cent in favour.

Union leaders have started balloting the union's 330,000 members on the issue, and the result, due on July 18, is expected to confirm such reports.

Mr Hammond yesterday accused the TUC of undue haste. He said: "The TUC really doesn't want to take account of our members' views, and is in a great hurry to get the decision made and have it out before our members are heard."

EETPU leaders yesterday underlined the electricians' difference from other unions by launching for its members a new EETPU Consumer Guide.

The glossy pack, explicitly seeing the union's members as consumers, contains a range of consumer law and other information, from the Office of Fair Trading.

Curbs to accountancy courses planned

BY DAVID THOMAS, EDUCATION CORRESPONDENT

AN END TO growth in the number of accountancy graduates and the closure of up to three university accountancy departments are planned, despite accelerating demand for accountancy skills.

The proposals by the University Grants Committee, responsible for funding Britain's universities, will mean that the accountancy profession, already one of the biggest consumers of graduates, will take an even larger percentage of them from disciplines such as science and technology, thus intensifying skill shortages in these areas.

The root of the problem is that too few accountants are willing to enter academic teaching at university salary levels.

The UGC has given universities until the end of this week to respond to a 47-page review which acknowledges that "demand is continuing to rise without . . . detriment to the quality of the intake."

There are more than three applicants a year for each of the approximately 2,000 places to read accountancy at universities.

However, the review recommends "that there should be no further major expansion of accounting places in universities at the present time."

Justifying this, it says: "The biggest factor inhibiting the development of accounting is the dearth of appropriately qualified candidates for teaching positions . . . The major cause is the huge gap between academic and professional salaries."

Mr Andrew Colquhoun, director of education at the Institute of Chartered Accountants, said there was a strong case for expanding courses but agreed that pay was the main problem.

Labour says it would limit rents

By Andrew Taylor

A LABOUR Government would reintroduce rent controls for private landlords and housing associations, Mr Clive Soley, Labour Party housing spokesman said yesterday.

Mr Soley said this commitment would alarm some private companies and financial institutions considering investment in rented housing under the Government's Housing Bill.

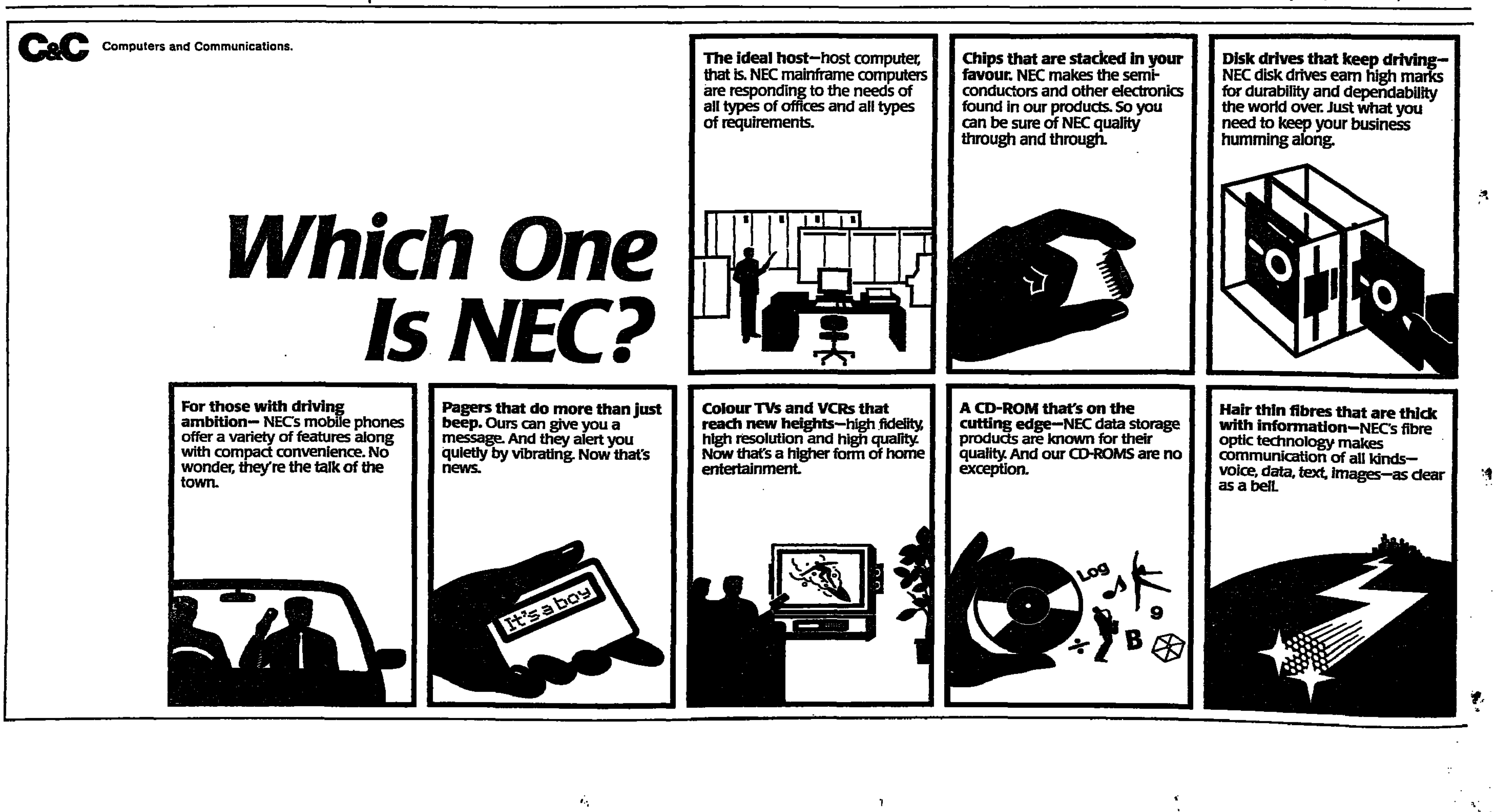
"Some private investors may be frightened of investing in rented housing when they realise a Labour Government would reimpose rent controls," Mr Soley told the Financial Times.

The Housing Bill, subject of a marathon debate in the House of Commons last week, proposes to abolish rent controls imposed under the Rent Acts. Rents would be free to rise and, it is expected, would be high enough to give landlords and investors a satisfactory return.

Mr Soley warned that private investors seeking to take advantage of the bill could get their fingers burned under a Labour Government if they tried to make profits from rents which low-paid people would be unable to afford.

He said Labour would not reintroduce the Rent Acts in their present form but would try to create a new mechanism to satisfy landlords' need for a satisfactory return and ensure affordable rent for tenants.

"The acute shortage of rented housing in Britain means there is likely to be an explosion in rents when controls are lifted. I do not believe any Government could live with that situation for very long without establishing some system for setting rents independently of landlords," he said.



Hattersley attacks Benn as campaign intensifies

BY PETER RIDDELL, POLITICAL EDITOR

SUPPORTERS OF Mr Roy Hattersley's campaign to retain the deputy leadership of the Labour Party stepped up their propaganda battle at the weekend ahead of a series of crucial meetings in the next few weeks when the trade unions and constituency parties decide their votes.

Mr Hattersley himself delivered a strong personal attack on Mr Tony Benn, the challenger to Mr Neil Kinnock for the party leadership. The deputy leader's campaign claimed the support of the majority of the party's MPs.

The Hattersley camp is seeking to create a momentum of inevitable victory after the arguments of the past month about defence policy and the damage created last week by Mr Denzil Davies's resignation as defence spokesman.

However, supporters of Mr John Prescott, Mr Hattersley's main rival for the deputy leadership, claim growing support among constituency parties.

Meanwhile, the defence arguments will be reopened later today when Mr Benn will deliver a speech at the conference of Aslef, the train drivers' union, in Blackpool. He is expected to argue that the present leadership is distancing the party from its official non-nuclear defence policy.

Mr Benn is expected to argue that it would be useless as a bargaining counter to retain the nuclear bomb with the addendum that it would never be used.

Mr Hattersley's campaign claims that 130 Labour MPs are already committed to him, compared with 50 to Mr Prescott and 30 to Mr Eric Heffer (almost all of whom will switch to Mr Prescott on a second ballot), with the remaining 19 uncommitted. MPs command 30 per cent of the votes in the electoral college, compared with 40 per cent for the unions and the 30 per cent for the constituency parties, where Mr Hattersley is likely to be doing less well.

Roy Hattersley: 'Slogans in place of serious thought'

The best estimate at present – subject to a large margin of error – is that Mr Hattersley should win, but possibly by a close margin over Mr Prescott, depending on the views of the constituency parties and the unions. Mr Kinnock is certain to win by a large margin.

In a strongly worded speech at Selby, North Yorkshire, Mr Hattersley accused Mr Benn of betraying the party, undermining the prospects of a general election victory and of distorting the party's policy review.

He said: "The policy review is essential to our victory. The time has come to protect it from the distortions by which Tony Benn and the few who follow him seek to damage it. For too long they have attempted to substitute slogans for serious thought, and behaved as if serious policy could be shouted through a megaphone from the back of a lorry."

Mr Hattersley added: "That is not Tony Benn's worst excess. For weeks he has deliberately sought to distort the truth about the policy review. He has suggested that the leadership is betraying socialism, betraying the party and betraying the policy."

Responding to Mr Benn's allegations of betrayal, Mr Hattersley said: "I don't believe that any betrayal can be as great as knowingly to undermine the prospects of a Labour victory at the next election while pretending to defend the Labour Party's rights."

Mr Eric Heffer, who is challenging Mr Hattersley on a joint ticket with Mr Benn, has repeated his accusation that the party is retreating from socialist policies. He said that under the excuse of changing Labour's policy, fundamental retreats were taking place. "Accommodation is being made with the present system. Our task is not to accommodate the system but to change it. That is the real issue in the leadership election."

Government backs study on mobile telephones

By Terry Dodsworth

THE GOVERNMENT has decided to back a telecommunications research project aimed at maintaining Britain's strong position in the fast-developing field of mobile telephone technology.

The project will bring together several leading electronics companies and academic institutions under the funding scheme provided by the Government's Link initiative.

The total state contribution will be £6.35m, contributed by the Department of Trade and Industry and the Science and Engineering Research Council. Industrial partners are expected to contribute at least an equivalent amount.

Link was designed to bring together industrial and academic research organisations in projects on basic technology.

The first schemes were launched at the beginning of this year. Funding so far earmarked amounts to £105m, of which the Government will provide up to half.

Lord Young, Trade and Industry Secretary, who has strongly supported the reorientation of government support for research to pre-competitive programmes, said that the telecommunications scheme was prompted by the convergence of telecommunications and radio technology.

The project would aim to develop methods of integrating the technologies involved in mobile radio, cellular and satellite mobile systems.

Underlying that strategy is the belief that the coming generation of telephone systems will allow users much more flexibility than at present. Small, portable telephones will be commonplace.

Road to awareness starts with motivation

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

NATIONAL MOTIVATION Week gets up and goes for it at breakfast time today.

For a select few, the occasion will be marked by an "energy breakfast" in a smart London hotel, to the accompaniment of a motivating harangue from charmer-novelist Jeffrey Archer.

The victuals will be paid for by Langfords Exhibitions, sponsor of the five-day "week." Langfords also happens to be the organiser of the concurrent National Incentive and Promotion Exhibition at London's *Olympia, where motivation*-minded companies can select from a tempting array of business incentives ranging from ashtrays and personalised pens to holidays in Hawaii.

According to the sponsor, the idea for National Motivation Week came from the deadening experiences of its management on arriving back in Britain from visits overseas. They were galvanised by the contrast between the eager-to-please attitudes of foreigners and the averted eyes, deadpan faces and surliness in dour, unmotivated Britain.

"It's a matter of raising awareness. We are not born-again motivators," said organiser Ms Jan Martins. "There are lots of people out there who spend half the day in bed, half doing a job they don't like, and half watching television," she added, without a flinch.

Outside the Olympian halls, companies involved in staff and management training (including British Rail), entertainment groups, the British Institute of Management, magazines such as Executive Travel and the Municipal Journal, and projects such as the Binman of the Year contest, judged compatible with the week's aims, will offer distraction, exhortation and some curious awards for those who throw themselves into the spirit of the events.

The fun-loving boss award – a day out for the winner and all his staff on the swings and roundabouts at Thorpe Park, Surrey – will go to the person who is judged best at making the working day pass pleasurably.

Among other requirements, contestants are urged to "have regular make-fun-of-the-boss sessions to make everyone feel equal."

A little extra gloss has been added to the campaign by the enlistment of more than 100 MPs "supporting the aims" of National Motivation Week.

Similarly, Lord Young, Sir Ralph Halpern and a dozen or so other sporting and industrial luminaries have lent support, although, as Ms Martins says: "They have not been asked to do anything other than to give the odd quick quote."

Lord Forte, caterer extraordinary, offers: "Motivation has no set formula. It is excitement, dedication, determination and ambition rolled into one – plus an ample portion of incentive."

From Jimmy Savile, professional teenager, comes: "Motivation is a posh word for having a go. Having a go is all right as long as you don't give up when it gets a bit hard."

In a more practical vein, Results Training of Wiltshire has drawn up a kitchen-sink catalogue of free advice for those who need a kick-start down the road to awareness. "If you are feeling fed up, roll up yesterday's newspaper and beat it against the table saying 'today's going to be a good day'."

London may qualify for EC aid

BY HAZEL DUFFY

DEPRIVED areas of inner London might become eligible for help from the European Regional Development Fund as a result of agreement last week by European Community ministers on a new formula for the fund.

The Government will also be seeking eligibility for other cities with areas of deprivation, such as Nottingham, during negotiations during the next six months with EC officials.

Previously, only parts of the country designated as assisted areas could qualify for aid from the fund, although they have been eligible to submit schemes under the social fund.

The principle to restructure the three Brussels funds – the regional development fund, the social fund and a fund to help the adjustment of rural areas to the reform of the Common Agricultural Policy – was agreed at the February summit at the same time that leaders of the community agreed that the funds would be doubled by 1993. They will have Ecu 14.4bn (£9.57bn) available at that date.

Negotiations have been continuing since then on the main framework defining the parts of the community to be included. Four-fifths of the regional development fund will go to underdeveloped areas of the community, including Northern Ireland.

For the rest of the UK, an outline list of 21 counties that will be eligible for Brussels aid was agreed at the meeting of ministers in Luxembourg. They include cities and areas with high levels of deprivation such as Merseyside, the Strathclyde region and other areas in the north of England and Wales.

To those are to be added "a selection of the most seriously affected parts," into which the Government hopes to slot parts of inner London.

The Government has also succeeded in getting mid Wales, parts of Devon and Cornwall and the Highlands and Islands in Scotland, included in the rural fund. The main framework of the fund and the areas to which it will apply have still to be negotiated.

MPs to pose Kuwait tax status query

Financial Times Reporter

OPPOSITION MPs plan to question the Government in the Commons tomorrow over the extent to which the Kuwait Investment Office has been able to avoid paying UK tax on its estimated £15bn investments in the country.

Mr Gordon Brown, Labour frontbench spokesman on Treasury matters, said yesterday that he would ask "whether the total loss in Exchequer revenues has been £1bn since 1979, and now is running at £250m a year."

Mr Brown claimed that the KIO, which includes 22 per cent of BP's shares in its portfolio, does not pay tax thanks to a concession granted to foreign governments operating in the UK. The KIO is the investment arm of the Kuwaiti Government.

Mr Brown said: "Now that the Kuwaitis are known to have bought £3bn worth of privatised shares, we want to know why, with tax-free dividends and exemptions from capital gains taxes, the Kuwaitis now enjoy far greater privatisation perks and privileges than ordinary British citizens."

Opposition MPs also plan to introduce amendments to the Finance Bill at committee stage to tighten tax law in this area. The Finance Bill already contains for the first time amendments bringing all UK incorporated companies into the tax net.

Tourism grants at record £15m

By David Churchill

MORE THAN 2,800 full-time jobs were created last year as a result of a record £15m of investment grants in new tourism projects by the English Tourist Board, according to figures released today.

The board says the grants, awarded to 609 projects, generated an additional £117.5m of *investment from the private sector.*

The West Country received the most tourism grant aid with 157 projects receiving £3.12m. Some 229 grants were given to projects involving hotel and other serviced accommodation.

Owen signals policy shifts

BY OUR POLITICAL EDITOR

THE CONTINUING Social Democratic Party will toughen up its economic policies at its Torquay conference in mid-September, Dr David Owen, its leader, has predicted.

The four-day conference is intended to re-establish the identity of the separate SDP. Dr Owen has drawn particular attention to economic policy.

He argues that the former SDP/Liberal Alliance, of which he was joint leader, adopted the wrong approach at last year's general election by questioning the state of the economy during a boom.

However, he now acknowledges that there were some worrying signs with a credit boom and says that one way of providing restraint would be to restrict mortgage tax relief to the basic rate of income tax, rather than, as now, a person's marginal rate.

Similarly, Dr Owen argues that the SDP has toughened its policy on the social market economy since the split last winter with those who had joined the SLD.

In particular, Dr Owen cites his party's support for the privatisation of British Steel as a single entity and for the Government's decision on the Nestlé bid for Rowntree once the Office of Fair Trading had reported against any reference to the MMC.

Electricity board appoints advisers

SOUTH WALES Electricity, set to become the largest public company in Wales after privatisation, has appointed two firms as advisers.

N.M. Rothschild & Son, the merchant bank, will assist in drawing up the detailed privatisation timetable and will advise on co-ordinating the flotation. Coopers & Lybrand, the accountancy and consultancy firm, will advise on accounting and financial policy.

Accountancy firms aim to boost image

BY RICHARD WATERS

A GROUP of medium-sized accountancy firms last week launched a campaign to raise their flagging reputation in the City. The move coincides with more accountancy mergers in the face of a competitive squeeze among firms.

The 20-member Association of *Practising Accountants*, formed almost three years ago but inactive until now, says it will use promotional literature and advertising to wean merchant bankers and others off their preference for Big Eight accountancy firms.

The association's member firms each have fee income of less than £10m, putting them just outside the top 20.

Mr Chris Benbow, a partner in Finnies, the largest firm in the association, said: "Our objective is to make sure that medium-sized firms are not ignored. The Big Eight are not necessarily the right choice in all situations."

At the same time, traditional small firms of accountants have engaged in a growing number of defensive mergers to give them the depth of resources and range of services to compete with larger audit firms.

Last week Chantrey Wood King and Hill Vellacott announced a merger to create a firm with fee income of £10m and 45 partners. That followed news earlier this month of the merger of Fraser Keen and Russell Limebeer, two firms in the south-east, to form a £7m practice.

Experience of the last five years indicates that medium-sized firms have suffered most as greater competition and commercial awareness have affected the accountancy profession.

UK NEWS

Executive pay 'doubles' after rises and tax cuts

BY MAGGIE URRY

THE TAKE-HOME pay of senior UK executives has nearly doubled as a result of higher salaries and the cut in top tax rates in the Budget, according to a survey published yesterday.

Mr Stephen Rowlinson, chief executive of the UK subsidiary of Korn/Ferry International, the executive search firm that conducted the research, says: "The 1988 Budget has had a revolutionary impact on take-home pay for senior managers."

The rise in disposable income means that British executives are at last remunerated at the same levels as their counterparts in other advanced industrial companies, says the report.

Korn/Ferry based the conclusions on responses from 202 of the top 500 UK companies. They include Imperial Chemical Industries, Unilever, Pilkington, Jaguar and Cadbury Schweppes.

The survey, Korn/Ferry's ninth annual study of boards of directors, suggests that the average chief executive or equivalent of a large UK company has seen his after-tax income rise from £65,000 to £115,000, a 77 per cent increase.

This is achieved through a 36 per cent increase in total earnings and a slight fall in the amount of tax paid, after the reduction in the highest tax rates to a 40 per cent ceiling.

The study finds evidence that boards of directors have limited interest in non-executive directors. Their pay has remained almost static and the proportion of non-executives on boards has stayed the same.

It also suggests that British business is booming, with 83 per cent of respondents reporting higher profits last year and 85 per cent forecasting increased profits this year. As many as 48 per cent are expecting to employ more people in the coming year, the highest proportion in the nine years Korn/Ferry has been conducting the survey.

Whereas two years ago 39 per cent of companies expected to cut employment, this year only 15 per cent are looking for a decrease.

The participating companies seem particularly anxious about their images, with 63 per cent saying corporate image was an issue of increasing importance. Shareholder relations were considered of increasing importance by 46 per cent of companies, but only 26 per cent felt the same way about employee relations.

Slower London wage rises likely

BY PATRICK DANIEL

AVERAGE INCOMES in London are likely to grow more slowly than the national average this year as a result of the stock market crash last October, according to a report released today by the London Chamber of Commerce.

The report, the first of its kind analysing the Greater London economy, says that even an optimistic scenario implies a fall in Londoners' wage increases from 5 per cent last year to 3 per cent this year, against an expected national earnings growth of 8 to 9 per cent.

The main reason is an expected halt to the rapid rise in City salaries which, after adjustments for inflation, increased by 32 per cent between 1983 and 1987.

The report says the October crash is also likely to cause a sharp slowdown in the growth of London's economy, although job losses in the City have not been as dramatic as some expected; official statistics indicate fewer than 2,500 redundancies in City institutions after the crash.

It forecasts that the financial and business services sector – which accounts for a third of London's gross domestic product after its exceptional growth in the 1980s – will decline this year. That will reverse the trend which since 1983 has seen faster London growth than the national rate.

Last year, London's economy is estimated to have grown by 5.5 per cent, one percentage point higher than the 4.5 per cent expansion in the national economy. But this year's growth is expected to be pulled down to between 2.5 and 3 per cent, against a forecast national growth of 3 per cent.

The report, while forecasting lower pay settlements, says London will continue to see acute shortages of professional and managerial staff, which account for about a quarter of more than 100,000 job vacancies.

Recent surveys undertaken by the London chamber show that two thirds of respondents in manufacturing and more than half in service industries say they have difficulty recruiting staff.

National Savings contribution declines

BY RICHARD WATERS

NATIONAL SAVINGS continued its relative decline in importance to government funding in May with a net contribution of £63.4m, about £100m less than the average for each of the first four months of the year.

The contribution so far this financial year is running at slightly more than half the level of 1987-88, which itself was the lowest for more than a decade, according to Department of National Savings figures.

In cash terms, leaving aside interest of £153.5m which accrued on savings products during the month, National Savings actually paid out a net £90.1m to investors.

The pattern of savings during May accentuated the trend of recent months: money flowed out of fixed-interest and index-linked certificates at a faster rate, while cash coming in through income bonds and holdings in investment accounts declined.

Fixed-interest certificates showed withdrawals of £390.1m, partly offset by new investment of £167.9m and accrued interest of £73.6m. The net deficit of £148.6m compared with a deficit of £93m in April.

Drug patent move 'might cost NHS £50m a year'

By David Thomas

A MOVE to extend patent protection on some drugs by up to four years might cost the National Health Service more than £50m a year, according to two leading UK manufacturers of generic drug substitutes.

The two manufacturers, Generics UK and Harris Pharmaceuticals, are backing an amendment preserving the status quo to be moved tomorrow to the Copyright, Designs and Patents Bill, by Mr Tony Blair, a Labour trade and industry spokesman.

The bill seeks to remove a loophole in the 1977 Patents Act. The act extended drug patents from 16 to 20 years but it also allowed generic drug manufacturers to continue to use pre-1978 patents in years 17-20 of their extended patent lives.

Generic drugs contain the same chemicals as equivalent branded products and are usually much cheaper. Sales of generic formulations have grown strongly in recently years to reach about £200m annually or roughly a tenth of the NHS drugs bill.

The bill now before Parliament will remove the loophole on pre-1978 patents. The Government says that will encourage the research activities of the main drug companies and estimates the extra cost to the NHS at no more than £8m spread over the next 10 years.

However, the generic drug companies argue that that is a gross underestimate of the cost to the NHS, which they estimate could be £42m-£52m annually by the mid-1990s.

They justify that by pointing out that generic versions of highly popular drugs such as Glaxo's anti-ulcer Zantac medicine would be available to the NHS from 1993 if the 1977 loophole remained in place.

The clause to be moved by Mr Blair would continue to allow generic versions of a pre-1978 drug 16 years after its patent was filed, provided the drug had been on the market for at least ten years. The generic companies are backing that amendment, which would give additional patent protection only to a drug that had had an exceptionally long pre-market development phase.

James Buxton looks into an academic privatisation plan

Engineering lab goes up for sale

A RESEARCH and consultancy institute that has formally been in existence for only a few weeks is likely to be involved in bidding for a government laboratory that last week celebrated its 40th anniversary.

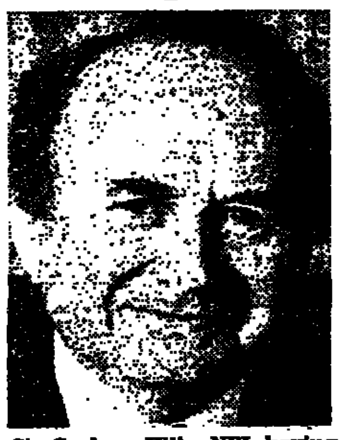
The institute is the Strathclyde Institute for Computer Integrated Manufacture, a joint venture between private-sector manufacturers, the Scottish Development Agency and Strathclyde University, based in the centre of Glasgow. Last month it embarked on a mission to revolutionise British manufacturing technology.

The laboratory is the National Engineering Laboratory (NEL), an offshoot of the Department of Trade and Industry that occupies a large, wooded site in East Kilbride, outside Glasgow. Nearly two weeks ago Lord Young, Trade and Industry Secretary, unexpectedly announced that he was seeking bids from organisations interested in taking NEL into the private sector.

The man behind both the creation of the Strathclyde Institute and the idea of a bid for NEL is Sir Graham Hills, the recently knighted principal of Strathclyde University. The Strathclyde Institute, as a private company limited by guarantee, is likely to be the vehicle through which the university would participate in the consortium of industrial and academic interests which Sir Graham is trying to assemble to bid for NEL.

If that attempt failed to get off the ground, the Strathclyde Institute would go ahead on its own, its director, Mr David Pearson, said on Friday. It would seek to secure those parts of NEL whose work is closest to its speciality – automated manufacturing.

These developments underline two things: first, the importance with which Scotland regards the impending privatisation of NEL, with the deadline for bids being July 22; and, second, the role Sir



Sir Graham Hills: NEL having "a decreasing impact"

Graham and Strathclyde University are playing in spanning the gap between the world of academia and private industry.

Lord Young wants to privatise NEL because he believes that a research laboratory, most of the work of which is done for industry rather than government, ought to be under the discipline of private-sector management. NEL specialises in such areas as computer-aided engineering, power systems engineering, testing of structures and fluid engineering.

Already BHRA, a research organisation specialising in fluid engineering based at Cranfield in Bedfordshire, has said it intends to bid, and another one, PERA, specialising in manufacturing technology, seems likely to follow suit. BHRA made a study of the Scottish laboratory before Lord Young announced that he was to privatise it and some people talk of it as the Government's preferred bidder.

Even though the successful bidder would be expected to develop NEL on its present site, some leading Scots fear that a privatised NEL might break up and some of its research work come to an end, or cease to be carried out in Scotland. "We badly need centres of excellence like NEL for their spin-off value for the rest of Scottish industry," says one person following the issue.

One way in which NEL would stay under local control would be through a buy-out of the laboratory by its own management. The director, Dr Donald Bell, has commissioned Arthur Young, the accountancy firm, to make a feasibility study and try to arrange finance.

But Sir Graham, an English-born chemist, believes that the only solution for NEL is for it be put under the wing of an entrepreneurial university such as Strathclyde. "A university has a large, ready market for packaged intelligence, with people and money constantly flowing in and out," he says. "Only a university has the capability to maintain the overview of what is needed. A private research organisation couldn't support an institution such as NEL." Mr Pearson adds that a university could provide an umbrella for the more esoteric parts of NEL's work.

NEL, says Sir Graham, has been having "a decreasing impact" on industry, because of government restraints on its funding and its inability to restructure itself under the DTI.

Sir Graham and the staff of the Strathclyde Institute are talking to Scottish industrial companies that might be interested in making a joint bid for NEL. Questions of finance are still at an early stage. So far there has been no convergence of views about NEL's future with the management of the laboratory itself. Sir Graham's views may not square with those of Lord Young.

For Sir Graham, the creation of the Strathclyde Institute is the latest in a series of necessary entrepreneurial initiatives to which the alternative is the "catastrophic decline" that afflicts any university that fails to adapt to new circumstances. He also thinks it has the right blend of public and private-sector involvement to provide the leadership for NEL outside the DTI's grip.

The aim of the institute, one of only three on its scale in Britain, is to induce Scottish and other British companies to avoid their own catastrophic decline by adopting computer-integrated manufacture. That means more than just creating islands of automated design and manufacturing: it entails setting up systems of administration and management that add up to a seamless web of automation.

The Strathclyde Institute has an initial investment of about £5m, part of it funded by its first two private-sector partners, Apollo Computer, the US workstations manufacturer, and Honeywell Bull, the mainframe maker. It will combine three roles: providing consultancy services on CIM, supplying training, and offering CIM research facilities. Its first 15 staff have been recruited from outside the university, but the institute will collaborate with the university in fields such as research.

Currently the institute is busy proselytising CIM among Scottish companies. Mr Pearson says: "Not many of them realise the way companies in the US and the Far East are planning 15 or 20 years ahead, while companies here, though they have made dramatic improvements in the past few years, are looking only three or four years ahead."

Can an institute which he admits is only at an embryonic stage of its own development really aspire to take on an organisation with a staff of over 600? "In this business you have to take your opportunities as they come along," he says.

TV chief expected to head airline booking system

BY RAYMOND SNODDY

MR JUSTIN DUKES, managing director of Channel 4, is expected to be named this week as chief executive of Galileo, the £70m European computerised airline booking system.

Mr Dukes, the founding managing director of Channel 4, has, it is believed, already accepted the top job at Galileo, one of two European booking systems designed to compete against similar US ventures.

The Galileo project, based in Swindon, links British Airways, Aer Lingus, Alitalia, Austrian Airlines, KLM of The Netherlands, Swissair, TAP of Portugal, Sabena of Belgium and Covia, the computer reservation system of United Airlines of the US.

The aim of systems such as Galileo, which was set up last year, is to increase market share for its members by making it easier for travel agents to book everything from airline tickets to hotels and car hire.

The career of Mr Dukes, who is 46, has ranged from the design of nuclear submarines to industrial relations in the printing industry. He was a director of the Financial Times from 1975 to 1981.

Last year Mr Dukes was a candidate for the chief executive's job at Channel 4 in succession to Mr Jeremy Isaacs.

He made clear privately at the time that he would resign if he did not become chief executive. However, when the job went to Mr Michael Grade, director of programmes at BBC Television, he stayed on.

It is believed that Mr Dukes will not be replaced at Channel 4

The army is not up for sale, **Ralph Atkins** discovers — but a lot of nationalised industries still might be

Line-up for when the pause in privatisation issues ends

"THE BRITISH Army plc: The most exciting share offer of the century" tempts a current advertisement for Carling Black Label – a beer supposed to inspire great feats of daring.

If not a little mischievous, it highlights a question that must be on the mind of many an investor: whatever happened to government privatisation share sales?

Until late last year, share issues appeared in quick succession: Rolls-Royce, British Gas and British Airways all took place within less than a year of each other.

However, since the British Petroleum sale in October there has been no public issue and there is little sign of a share sale for perhaps another year.

A simple explanation is that the October stock market crash made the Government wary of risking large offers in a fragile market. Certainly the BP sell-off, when the Bank of England was forced to provide emergency support for the share price, left the Government with its pride hurt.

However, that is not the complete story. Since the stock market crash, the Government has repeatedly said its commitment to promoting wider share ownership remains intact.

Moreover the Treasury, which co-ordinates the privatisation programme, continues as eagerly as ever to seek out candidates for transferring to the private sector. As one official put it: "It is Treasury business to look everywhere."

MONEY RAISED THROUGH PRIVATISATION 1979-1991

Outturn	(£m)
1979-80	377
1980-81	405
1981-82	493
1982-83	488
1983-84	1,142
1984-85	2,132
1985-86	2,702
1986-87	4,403
1987-88	5,015
Plans	**(£m)**
1988-89	5,000
1989-90	5,000
1990-91	5,000

The Government also has an excuse for pausing temporarily. Receipts arising from past privatisations will this financial year meet almost all the Government's target of £5bn for revenue raised from sales. At the same time, buoyant tax revenues mean pressure on government finances has eased since the early days of the programme.

Receipts from past sales will continue into future financial years. Even if new issues are modest there should be little difficulty in meeting targets of £5bn set for 1989-90 and 1990-91. The targets might seem unadventurous but, compared with early years of the programme, the sums are still large.

Nevertheless, there is no shortage of nationalised industries that could be privatised.

The three main privatisations already lined up are British Steel and the water and electricity industries. Together that trio might raise more than £25bn. If privatisation proceeds too fast, the Treasury might find itself with an embarrassment of riches.

British Steel will probably be sold in 1989-90. The structure of the sale has not yet been decided and will probably depend on stock market conditions, but an issue appealing to small shareholders has not been ruled out.

Electricity and water are likely to be sold early in the next decade. With their activities spread across the country, they might again be directed at small as well as large investors.

Before then, however, there will be a series of other smaller-scale privatisations. Mostly they will be sold to the highest bidder or as management buyouts, but will provide a steady stream of income.

The sale by auction of Girobank, the banking subsidiary of the Post Office, was announced earlier this month. It joined, among others, the Crown Suppliers (the Government's central buying agency), British Rail Engineering and the Scottish Bus Group on the Government's For Sale list.

Looking beyond this parliament – assuming the Conservative Government is re-elected – there are even more candidates for privatisation. Government policy advisers argue that in their continuing review of public-sector activities, they start from the question: why wouldn't this work better in the private sector?

That means neither British Coal nor British Rail have been ruled out, although Government plans for the two industries are currently little more than ideas. A track record of profitability would probably be necessary for a successful sale.

The Post Office, perhaps surprisingly, seems likely to remain within the public sector at the behest of Mrs Thatcher. However, it might lose its parcels division.

Other smaller public-sector operations will inevitably be added to the list. Currently favoured candidates include the Property Services Agency and Crown Agents, the procurement and fund management agency for developing countries.

In addition the London bus service might follow bus systems in other parts of the UK with deregulation and sales to private operators.

Further ahead, the boundary between public and private sectors becomes blurred. Given time, the present Government would seek to extend private involvement into the heart of its operations.

PRIVATISATION PROGRAMME INTO THE 1990s

Planned sales announced

British Steel
Electricity industry
Water authorities
Rover Group (sale to BAe)
Girobank
Crown Suppliers
British Rail Engineering
Professional and Executive Recruitment (Employent Dept)
National Engineering Laboratory in Scotland
Scottish Bus Group
British Technology Group

Possible future candidates

British Rail
British Coal
Crown Agents
Property Services Agency
Parcels division of the Post Office
Forestry Commission

This could include growing private-sector involvement in the National Health Service and the activities of local government. Private prisons and private roads are also possibilities.

The ambitious programme of sales could provide a stream of receipts into the next century. However, ministers, frequently stung by accusations of selling the family silver to pay for tax cuts, will vigorously deny that receipts are the main objective.

Instead there are signs that the issue of regulation will become the focus of privatisation debates – particularly if the Government becomes embarrassed by what some see as its largesse towards industries it has already privatised. Concern about the control of British Telecom is just one recent example.

The Government will still have to strike a balance between strict regulation and making sales attractive to purchasers, particularly when shares are to be made available to the public. There is little doubt that, since the stock market crash, the problem has become more acute.

However, Treasury officials are adamant that if it had an industry with a track record of profits and the necessary legislation had passed through Parliament, a successful flotation would be possible – even in the present stock market environment.

Perhaps the greatest difficulty will be timing future issues so as not to overburden the stock market, but to ensure that privatisation receipts match targets. The difficulty will be in controlling private-sector demand for nationalised industries rather than finding a supply of assets for sale . . . even if the army is excluded.

Labour councils 'seek tenders'

BY RICHARD EVANS

SOME LABOUR local authorities have recently joined the growing number of councils that have begun to privatise services in advance of compulsory competitive tendering.

A survey published today in Public Sector Review, the magazine of the Public and Local Service Efficiency Campaign (Pulse), finds that there has been a "significant upturn" in the level of savings councils have made by going out to tender.

More than £22.5m is now being saved by local authorities in England and Wales by contracting out services to the private sector, an increase of nearly £1m on the figure recorded a year ago.

There has also been an increase in the number of councils privatising services, with a record 190 contracting out.

Labour authorities, covered in the survey for the first time, include the London boroughs of Barking and Dagenham, Newham and Islington, and Thurrock and Ipswich councils. Tower Hamlets, controlled by the Social and Liberal Democrats, is also included for the first time.

The survey a year ago found less privatisation, with some authorities returning to direct labour for political reasons, but, according to Pulse, there is now "an increasing recognition by councils of all political persuasions that competitive tendering is a powerful management tool for improving services and reducing costs."

The research also shows, however, that 350 councils, including many Conservative ones, have not privatised a single service, so a substantial increase can be expected once tendering becomes compulsory under the Local Government Act.

The legislation, to be implemented in stages, covers six services – refuse collection, street cleaning, building cleaning, vehicle maintenance, grounds maintenance and catering – and the Environment Department estimates that more than £3bn of council work will be opened up to the market.

The survey found that many councils were inviting tenders early in order to get the best competition. The largest new saving – £170,000 a year by privatising refuse collection – was made by Tunbridge Wells.

In London, council privatisation is saving £3.3m a year. Most of the savings have come from Wandsworth and Merton but a record 18 of the 32 London boroughs are now contracting out.

No-show diners find tables turn

BY DAVID CHURCHILL, LEISURE INDUSTRIES CORRESPONDENT

BRITAIN'S restaurateurs are planning to take a tough line with customers who fail to turn up for a table reservation and cost restaurants many thousands of pounds a year in lost profits.

The Restaurateurs Association of Great Britain has written to its 500 UK members asking them to send details of customers who persistently fail to show up when they have booked a table.

Names of people who fail to show up or cancel reservations will then be circulated.

Mr Roy Ackerman, the association's chairman and formerly deputy chairman of the Kennedy Brookes restaurant chain, said: "It will be up to restaurateurs themselves to decide whether or not to blacklist these people. We are not trying to discourage people from making reservations, only trying to encourage them to consider the restaurateur if they cannot turn up for a booking.".

Restaurateurs are becoming worried at the growing practice of customers booking several restaurants and then choosing at the last moment which one to go to.

Overseas tourists - especially Americans - are particularly blamed by restaurateurs for booking several restaurants through hotel porters.

Mr Ackerman said: "For many restaurants - especially those in country areas - an unfilled table caused by a 'no-show' can mean the loss of the restaurateur's profit for the evening."

The extent of the problem of 'no-shows' is difficult to gauge because some restaurateurs believe it reflects badly on their restaurant.

However, Mr Neville Blech, owner of the Mijanou restaurant in the fashionable SW1 area of London, has taken a strong line against people not turning up. About five or six parties with reservations fail to appear each week on average, he estimates.

Recently he won a 10-month court battle for compensation for loss of earnings against an advertising agency that had booked a table for five and cancelled half an hour after they were due to arrive.

The restaurant was awarded £80 compensation. "The law is quite clear that a contract is made when a table is reserved. The only problem is in the cost and time taken to go to the courts," he said.

One system being considered by many restaurants is taking a credit card deposit when taking a booking.

Senior City banking post

The ROYAL BANK OF SCOTLAND has appointed **Mr Ron Stewart** deputy chief manager of its London, City office, in succession to **Mr George Speller** who has been appointed senior manager, London, St Mary Axe branch. Mr Stewart was appointed manager of the bank's Leeds branch in May 1981 and on September 1 1985 he became manager of the Stockport group of branches.

★

Ms Judy Jones has been appointed marketing director of BARCLAYSHARE, the retail stockbroking arm of Barclays Bank. **Mr Jeremy Helliwell** has become developments director.

★

WILDE SAPTE has appointed **Mr Peter Groves** director of finance and administration. Other new members of the partnership are: **Mr Alan Jarvis, Mr Stuart McLeish, Mr Justin Spendlove, Mr Mark Menhennet** and **Mr Jeremy Ogden**.

★

Mr Richard Harpum has joined FKI BABCOCK's electrical products group as managing director of its rail equipment division, the main business of which is Stone International. He joins from GEC, where he held a number of senior marketing and general management positions over a seven year period.

★

SCHLUMBERGER has formed Schlumberger Industries to bring together its utility metering and transducer activities in the UK. Companies that traded as Sangamo, Solartron, Weston, PCC and Neptune will now be known as Schlumberger Industries. **Mr Alan Plumpton**, chairman of the Ewbank Preece Group, has been appointed its non-executive chairman from July 1. He was previously deputy chairman of the Electricity Council and a former chairman of the London Electricity Board.

★

Mr M.T.V. Eddison has been appointed a director of PRICE FORBES.

★

Mr Tony Withey has been made chief executive of REMPLOY. He replaces **Mr Trevor Owen** who has retired. Mr Withey has been chief executive of the polymers division of Evered Holdings since 1985.

★

Mr Alexander P. Semikoz has been appointed general manager of the Singapore branch of MOSCOW NARODNY BANK. He remains a deputy chairman of the bank. **Mr Sergey D. Konychev** has been appointed a deputy chairman and **Mr Alexander V. Osiptsev** has been made a director of the bank.

★

IVORY & SIME has appointed **Mr James R. Holbrook** as European director of Ivory & Sime Financial Services, the sales and marketing division of the group. He joins from County Natwest Investment Management where he was marketing director (Europe). He will be responsible for the development of Ivory & Sime's European strategy to expand its business base within the European Community.

★

Mr Steven Bobasch has been appointed a director of KLEINWORT BENSON and deputy head of the domestic banking department. He was an assistant director in the North American banking department.

★

At WEBBS COUNTRY FOODS **Mr David Price** has become director, marketing and sales.

★

DAIHATSU has appointed **Mr Richard G. Murray** as managing director. He joins from Land Rover where he was responsible for the company's business in North America and Australasia.

★

THE KEEP TRUST has made **Mr Bryan Norman** an executive director. He was formerly a director of Lazard Bros and until 1986 of N.M. Rothschild.

★

Mr Barry Martell has been appointed production director for MAXWELL PERGAMON PUBLISHING and deputy managing director of PERGAMON PRESS. He was production director (books) with Pergamon Press.

★

At SHERWOOD COMPUTER SERVICES **Mr Trevor Entwistle**, a non-executive director, has become deputy chairman of the group. **Mr Richard Guy** has been made chief executive of LG Software and Mitronix Compounting. Mr Guy will continue as managing director of Sherwood Capital. **Mr David Rasche** has stepped down as managing director of LG Software and from the main board. He will continue to assist Mr Guy in the local government area.

THE MONDAY PAGE

ANTHONY HARRIS
in Washington

Some dry facts about drought

IT IS NOT, after all, going to be quite such a dull political season as the contest between two drily moderate Presidential candidates had threatened. The lack of big policy issues is becoming more obvious by the day. On economic matters, especially, we are faced with two competent men who realise that the next President will have little room for manoeuvre. But their political instincts will be tested by two issues which will certainly dominate much news space between now and the November election: the defence procurement scandal, and the possibility of a disastrous drought.

First, though, the supposedly central issues. Mr Bush talks old-fashioned conservative, as he did in 1980; he believes in balancing budgets. Mr Dukakis actually does it in Massachusetts (though he faces embarrassing problems this year). Mr Dukakis talks intervention, and is especially keen on training for more productive job opportunities; Mr Bush wants to be known as the education President. The advisory teams for the two candidates could probably be interchanged without anyone noticing: a Washington policy consultant who knows both sides estimates that they are in full agreement on at least 70 per cent of the agenda.

Financially, the election could make a difference. Though both candidates lean on prominent Wall Street investment bankers, Mr Nicholas Brady and Mr Felix Rohatyn might well disagree on 70 per cent of the market issues. Mr Brady, who produced the first of the many reports on the October crash, is basically a believer in the Wall Street gospel: for him, the market is the best way we know to allocate capital, though the crash shows that it is not in the best of working order. Indeed, Mr Brady is thoroughly alarmed about the possibility of another crash unless the rules are modernised to cope with computers and futures trading.

Mr Rohatyn is an alarmist of another kind. He has been warning of the dangers of excessive debt for nearly as long as that well-known pessimist Dr Henry Kaufman. As a result, he seems much less alarmed by the crash, which he sees as a realistic adjustment. He is, on the other hand, an enthusiastic supporter of debt relief for the poorer borrowing countries, which Mr Bush would no doubt oppose as resolutely as his great friend the Treasury Secretary (until the middle of next week, at any rate), Mr James Baker.

Such questions are of great interest to investors, but they swing no significant block of votes. Voters will, however, be interested in how the two sides react to the big new stories. The defence scandal, which will certainly occupy acres of newsprint in the coming months, looks like a grave setback for Mr Bush. President Reagan has already appeared on television pointing out, very fairly, that it was his Administration which uncovered the scandal, and Mr Bush has threatened any wrongdoer with the full weight of the law. (This is what wrongdoers can usually expect, it is true, but those caught in the other great Washington scandal, Irangate, may well prove to be exceptions).

However, the only real escape for the Republicans is to prove that defence procurement was corrupted long before the rather casual regime of Mr Caspar Weinburger at the Pentagon, so that Democratic administrations can be blamed for having failed to detect the trouble; having once started the investigation, much to their credit, they are bound to pursue it as far as it will go. This one will run and run.

The drought could yet fade away, though this seems less probable as day succeeds sweltering day. At the moment the position is that if there is any really solid rain – a nourishing belt of it, not a cloudburst which would simply wash away the topsoil – the American cornbelt could still produce a respectable crop.

If rain takes longer than that to arrive, this year's crop will be a disaster; there was a similar disaster in 1983. If the drought continues all summer, then the underground aquifers will be so depleted that full recovery could take several years, and we are faced with the worst disaster for half a century. There is no way known to science to say at this point which is the likeliest outcome. Congress is sending out search parties for facts.

However, the Chicago commodities markets are already discounting a one-year disaster, and have marked up bulk crop prices by 35 per cent. Americans are being advised to enjoy some barbecued steak this summer; beef is cheap at the moment as stock is being slaughtered for lack of feed, but will certainly be scarce next year. Prices of chicken, eggs, and – a little later – grain products will also quite certainly rise.

This apparent inflationary threat is one of the worries which have sent bond prices into reverse, so it is worth trying to put a scale to it. In the US, where the bulk of demand is for processed foods, the experts estimate that the consumer price index will rise by one point for every 18 per cent rise in the price of bulk crops. (The fruit and vegetable crops, which are sold relatively unprocessed, are not grown in the real disaster areas, and are still getting their irrigation). The impact in other dollar-based countries, where consumers do more of their own cooking, will be greater.

The real question is how far a rise in food prices can be treated as an isolated event. Secretary Baker is already on record as saying that this is not to be regarded as a rise in core inflation, and need not therefore lead to tighter policies, which is analytically correct.

Indeed, although the annualised rate of inflation will start to rise quite sharply towards the end of the year (and the timing could be politically important), it will tend to fall again late in 1989 if crops return to normal. However, this hands-off attitude may be difficult to defend politically, and would be economically wrong if higher food prices lead to wage acceleration in this rather tight economy. The inflationary picture is as uncertain as the long-range weather forecast.

The budgetary picture is a good deal clearer, and is actually rather favourable. This seems unexpected, but it ought not to be: if you run a policy where the big problem is the cost of supporting prices and financing surplus production, the cost can fall dramatically if prices rise, and there is a deficit rather than a shortage. Farm price supports and land-layaside programmes were budgeted to cost more than $22bn this year.

These costs should fall sharply as prices are now above official support levels, and the lay-aside for next year has been abandoned to rebuild stocks. Meanwhile the Government should be able to sell some of its vast food commodity stocks (equivalent to eight months' national consumption), and at a profit, reducing the national debt. But the campaign will probably start a political auction to see who will offer the most help to the distressed farmers (Jesse Jackson has characteristically put in the first bid), and who will accuse whom of irresponsible spending.

INTERVIEW

The heir appointed

David Gardner talks to Carlos Salinas, Mexico's President-in-waiting

ON JULY 6, Mexico may cease to be the *de facto* one-party state it has been since the 1910-17 Revolution from which the ruling Institutional Revolutionary Party (PRI) emerged. It will if Carlos Salinas de Gortari gets what he says he wants – a clean presidential election with a credible outcome.

Mr Salinas, the former Planning Minister, was hand-picked by President Miguel de la Madrid as his successor in accordance with PRI custom. Chosen as guarantor of structural reforms to bring Mexico out of six years of financial and economic turmoil, it is the young technocrat's job to achieve enough by reform to prevent the country sinking into six years of political turmoil.

In the election, he faces a degree of competition from the opposition that the regime has never before experienced. He has tried to make the central theme of the campaign Mexico's ambition to become a prosperous, fair, more independent and democratic nation. Instead, the contest is really about the election itself, or more exactly, whether the ballot-box – rather than the PRI – is finally to become the vehicle through which power is obtained.

The Mexican regime has never lost a significant election in 71 years. Yet it has become conventional wisdom that unless the PRI opens up to a society which has long since outgrown its corporatist straitjacket, then the future of the regime and Mexico's unique record of stability in Latin America will be in doubt.

Mr Salinas shares this belief, but expressing himself cautiously for the record, he says: "We must understand that Mexico has been changing. It's more plural, more critical, there are wider options, and therefore I'm not looking to break records in voting but in credibility."

He leads the regime's third post-revolutionary generation at the age of only 40, appropriately for a country in which, as he points out, eight out of ten people are younger than him. The son of a former cabinet minister, he has made his career entirely in the economic bureaucracy and, like Mr de la Madrid and his two predecessors, he had never fought an election before being anointed for the presidency.

He will be the first economist to govern Mexico "if", as he punctiliously says, "the popular vote favours me", and the youngest president since 1934 when General Lazaro Cardenas – Mexico's most revered president this century – fashioned the country into its present shape.

But the Cardenas mantle, woven from left-wing nationalist traditions since abandoned by the PRI and 1930s-style popular frontism, has fallen to his son Cuauhtemoc, Mr Salinas's most threatening challenger.

Cuauhtemoc Cardenas, a former PRI state governor, broke with the regime last year, creating the biggest schism since 1940, when President Cardenas stepped down and the party rigged the election to shut out a dissident challenge to his successor.

Choosing democracy and a nationalist economic model as his banners, Mr Cardenas has rallied the fractured Mexican Left behind him, creating the biggest mass movement since the 1938-40 mobilisations orchestrated by his father around the nationalisation of the oil industry and distribution of land to the peasants.

The neo-Cardenista National Democratic Front has said menacingly that it will fight fire with fire if any attempt is made to steal its votes.

Mr Salinas' right flank is also under attack from the National Action Party (PAN), where the traditional Christian Democrat leadership which saw itself as more a counterweight than an alternative to the regime has been pushed aside by northern businessmen intent on a real bid for power. Led by Manuel Clouthier, a pugnacious former leader of the employers' federation, the PAN has already started a "civil resistance" campaign of sit-down protests, pickets and road-blocks to denounce what it already foresees as a fraudulent election.

● PERSONAL FILE:

1948: born Mexico City
1966: joined PRI
1969: Economics degree, National University (UNAM)
1970: Finance ministry analyst
1978: Doctorate in Political Economy, Harvard
1978-81: Planning chief at Treasury, then Planning Ministry
1982-87: Planning Minister
1987: PRI Presidential candidate.

Mr Salinas, speaking aboard a plane taking him to a southern border outpost to open the last, "vote promotion", phase of his campaign, dismisses these antics as "the subculture of fraud" by parties trying to justify their defeat in advance. He has publicly, if implicitly, admitted that the PRI used what he calls "electoral vices" – more popularly known as "alchemy" – to win a string of local and state elections, largely in the more prosperous and regionalist North.

But, he insists: "You have to understand that this is an election in which millions of people are going to vote. There is no real, material possibility of changing the outcome. I have pledged my party, not only the national but the state and local leaderships, to winning through our work, through our programme, and through voters' support. The PRI would be the most damaged by a dirty election, and in any case it would be unnecessary."

The Salinas camp is anticipating a majority of around 60 per cent, ten points down on the party's lowest historic score, by President de la Madrid in 1982. But would he accept a victory which revealed the PRI as what many independent analysts already believe it to be, the largest minority party?

"I will accept whatever victory emerges," he states with unshakeable confidence. "But what I anticipate is a win which maintains the PRI as the majority in the country, but not with any pretension, as in the past, to be the single party."

Mr Salinas' confidence has foundation: the resources the PRI has mobilised are staggering. It has clear dominance over the media – including, most importantly, television. The party's machine, made up from its "three sectors" of trade unions, the peasants, and the so-called "popular sector" based on 4m bureaucrats, disposes of formidable patronage through jobs, political preferment, land deeds, credit, state food vouchers and the ability that a party in power has to provide a troublesome area with anything from a dam to a drain.

But, rebuts Mr Salinas, "don't forget that the vote is secret. You can mobilise thousands of people but in the end it's the will of each individual which will decide."

The corporatist era is over, he argues, and is giving way to participation, something he has stimulated "in an unprecedented way" in a nationwide sequence of set-piece "dialogues". These have been rather stilted affairs, with invited audiences, but they have made his nine-month long campaign something like a giant constituency surgery.

What there has not been is any face-to-face debate. Mr Salinas never mentions his opponents by name in public or when talking on the record, referring obliquely to the PAN as "reaction" and Mr Cardenas as "neo-populism" (his own option he describes as "the progressive centre", resisting foreign labels like social democrat).

The absence of debates is a pity since Mr Salinas's most universally recognised quality is his first-class mind, honed through two masters' degrees and a doctorate at Harvard. He can think on his feet, unlike most of his predecessors, who were used to imparting declaratory nostrums to captive audiences. Salinas maintains there is "no national demand" for a debate. But confrontation with the quietly emotive Cardenas or the visceral Clouthier would be fascinating – and he would almost certainly get (and be seen to get) the better of it.

For even allowing for the advantages of office, Mr Salinas has what looks in outline like the most effective programme. He has also stolen opposition thunder by hardening his position on the $103bn foreign debt and by wooing the private sector, significant representatives of which had begun drifting towards the PAN. He talks of a "deliberate intent to redistribute wealth . . . not one-shot but structural, through a more equitable tax system, better quality of, and access to, education and jobs."

Under the de la Madrid Government, for the first time, there has been no growth, and the foreign debt has been fully serviced. Under Salinas, the formula will be inverted: "If debt service does not permit growth, there will be no debt service," he says with an earnestness Mexico's creditors might do well to believe.

His aides and government ministers say Mexico is now trying to negotiate a reduction in debt service of 35-48 per cent, but will make the cut unilaterally if rebuffed. Cardenas aides fear the Government will make its move before the election. The timing would be opportunist, but undoubtedly effective.

Debt has become a motherhood issue in Mexico. As Mr Salinas remarks: "We have a million youngsters entering the workforce every year, many of them emigrating to the US. I prefer them working here."

He says minimum acceptable growth in future should be double the rate of population growth, currently 1.9 per cent, although he adds it won't be possible next year because of bottlenecks caused by the lack of investment since the 1982 debt crisis.

The state's share of investment – 43 per cent of non-oil industrial capital formation throughout the 1970s – is to be radically redirected towards health, education and infrastructure. "I prefer to concentrate on the essential and get rid of what isn't," Mr Salinas says. Privatisation and closures of state companies will continue, with the Government retaining constitutionally defined strategic industries such as oil, power, the banks and the railways. But Mr Salinas's pledge to open up companies like Telmex, the telecommunications monopoly, to private, and possibly foreign, investors has not stirred up as much nationalist anger as it might because he has kept the prospect of the state spending more on clinics and schools firmly in view.

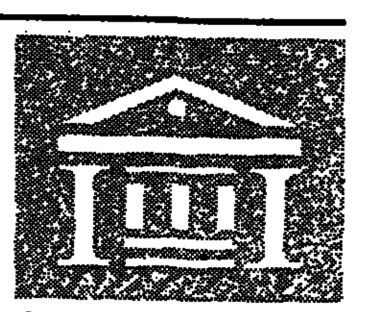
Foreign investment, a touchy subject which smacks of dependence to many Mexicans, should play "a greater role than it has up to now", Mr Salinas believes. In an economic strategy speech well received by business last month he bluntly pointed out that Mexico had long since come of age and should welcome the new technology and markets that foreign investors could provide.

He also called for a "strategic alliance" with the private sector to set up international trading companies. "Companies in other countries are promoted by their Governments. It seems to me we shouldn't deny ourselves energetic promotion by the state of Mexican exporters."

Japan, he agrees, is a good example, and Japan and the Pacific Basin is an area in which he has a special interest both intrinsically and to lessen Mexico's dependence on the US, with which it does two thirds of its trade. Mr Salinas' three children attend Mexico City's Japanese school and speak Japanese, and his two key visits abroad in the past two years were to Japan and China.

His vision of Mexico's future relations with the US – an always complex and frequently vexed subject – is short and to the point: "My interest is that they be good, emphasising our similarities and respecting our differences."

When looking for business is a virtue



JUSTINIAN

THE COMMERCIAL Court has, since 1894, been a major specialist court of High Court judges who handle commercial disputes. Identifying the issues early and stripped of the prolixities of pleadings and multiple pre-trial applications, it is accorded special recognition in the Report of the Review Body on civil justice.

Recommendations in the Report's final chapter build on *the widespread acknowledgement* that, unlike the somewhat aloof dignity adopted hitherto by the ordinary courts of justice, with the feeling that the litigant ought to be grateful for whatever justice is being dispensed, the commercial court has taken pride in attracting business and in dealing with it in a manner that evokes satisfaction from the consumers of commercial litigation. The maxim that it is good for justice for the courts to extend their jurisdiction is an advertising slogan perhaps lacking in mass appeal, but it reflects the general idea that courts should sometimes go out and get business. The Commercial Court has in recent years become the victim of its own success.

Speed and swiftness in justice for commercial disputants have been the twin pillars of the practice and procedure of the Commercial Court. To achieve these objectives the managers of the court have sought to provide special legal skills in the handling of commercial actions, coupled with *an expeditious and efficient* procedure. The former objective has been consistently met while the latter has not. The Report records that the Commercial Court has "higher standing than any other first-instance court in the civil justice system.

"It draws to itself more and more work from at home and overseas. The quality of justice *offered is unassailably high* but thanks (sic) to increasing delays the speed of the service afforded is declining." The future envisages further increases in the court's work and ever-lengthening queues of cases waiting for hearing dates and trials. The Report laconically concludes: "The *problem of delay is acute.*"

The main strategic objective is to reduce waiting times for trial to a maximum of 12 months from the time when a fixed date is given. The target should be achieved within the next three years. Two methods are proposed for meeting that timetable. The first is a reduction in the number of cases by 25 per cent; the second is to *inject additional judicial* power, at least temporarily.

Control of the volume and flow of new and existing work coming to the court has been accepted in principle, the mechanism being to redefine what is a commercial action.

The redefinition is in financial terms. Commercial actions involving claims of £50,000 or less should be defined out of *the court's jurisdiction, subject* to special conditions for complex or difficult cases below that amount which should be retained in the Commercial Court. The lower limit would be increased as and when necessary in order to achieve the general reduction in waiting times. The Report further recommends that one extra judge should be made available half-time in the first year and a second judge in the second year. Judge power would be kept under constant review.

A suggestion was put to the Review Body that the appointment of additional judges could be financed out of a substantial increase in court fees, on the footing that the nature *of the users of the court made* it unlikely that they would be deterred from proceeding, even by substantially increased costs. That option is, however, not available, since judges' salaries are charged on the Consolidated Fund as a safeguard of judicial independence, while court fees constitute departmental revenue devoted to administrative expense. Despite the *appropriateness* of an increase in fees to finance the judiciary, the Report recommends raising the level of court fees to reflect the cost of handling the court's business.

The Commercial Court's essential task is to reconcile the businessman's approach to commercial bargains and the lawyer's approach to what the contract actually says.

Lord Devlin wrote 35 years ago that businessmen like the idea of a written contract; it gives them the feeling that they have neatly tied up the deal. But they do not always give the time and thought necessary for the drafting of precise and comprehensive terms and they display little inclination for the task. Commercial men like the solemnity of the contract, but do not care for its details. To the lawyer, the language of the contract is everything because it has the supreme merit of certainty and permanence; he presumes it embodies the exact wishes of the contracting parties. The task for the Commercial Court judge is to reconcile these opposing attitudes.

Traditionally the Commercial Court has been settling commercial disputes in accordance with the ideas of commercial men. The machinery of the court is one of the features that mark out a trading nation, and is open to all comers. It is as true today as it ever was. Over half of the claimants before the court are non-UK residents. In nearly a third of all cases all the parties to the litigation came from abroad.

The Commercial Court prides itself on being as much a part of the City of London as it is of the Royal Courts of Justice. The part that London has played, in international shipping and insurance particularly, has benefited from the willingness of foreigners to litigate in the Commercial Court. These factors point up the willingness of English commercial lawyers to be unusually responsive to the needs of their public. Which is what the review is hoping to emulate in the rest of the civil justice system.

CONSTRUCTION CONTRACTS

Manchester hospital extension

M.J. GLEESON GROUP has been awarded contracts worth over £11m. At North Manchester General Hospital, the company is to build a two/three-storey mental illness unit, together with two adjacent wards for the elderly and mentally infirm and a central resource facility as part of a major expansion of the hospital by the North Western Regional Health Authority.

The combined cost is over £5m and the two contracts are scheduled to take up to two years to complete.

Gleeson has commenced two road contracts for the Department of Transport – construction of the £3.6m A21 Robertsbridge bypass north of Hastings and a £1.2m road junction where the A19 meets the A1290 at South Tyneside.

A contract, worth £1.4m, has been won for refurbishing the Grimsby telephone exchange for British Telecom.

Housing the Army at Catterick garrison

Army barracks accommodation and housing contracts totalling over £10m have been won by **SHEPHERD CONSTRUCTION**'s North East office, based on Darlington. The largest project is a £7.3m contract at Somme Barracks, Catterick Garrison, for the Ministry of Defence. This involves a barrack block, washdown bays and workshops, and the extension, alteration and renovation of a total of 27 buildings. The contract is due for completion in May 1990.

Design and build contracts worth over £12m have been secured from North Housing Association for 49 two and three-bedroom houses at Blyth, 24 one and two-bedroom flats at South Shields, and 24 similar flats in Durham City. The Blyth contract is for completion in May 1990 while the other two are due for completion in January 1989. Smaller local authority and housing association housing contracts at Gateshead and Colburn bring the total to over £10m.

Upgrading harbours

FAIRCLOUGH HOWARD MARINE has won contracts totalling nearly £5m for improvements to harbours. At Peterhead, Aberdeenshire, the Chatham-based company is to construct the 300 metre long South Harbour breakwater for Peterhead Harbour Trustees.

Part of the South Bay development for improving facilities for the Peterhead fishing fleet, the breakwater will be built as rock armour with some 300,000 tonnes of granite. Because of limited local sources for suitable block stone, Fairclough will ship 80,000 tonnes of rock from Scandinavia on 20,000 tonne capacity barges. Most of the material will be placed underwater.

Fairclough Howard Marine has also been awarded a contract to pave four hectares of reclaimed land for vehicle hardstanding in Dover's Eastern Dock. The project entails laying 40,000 sq metres of precast block paving, together with 1,100 metres of surface drains up to 1,200mm diameter. Fairclough plans to complete the operation in October.

Fairclough Howard Marine is a member of the AMEC group.

Mixed bag for Buxton

A contracts package totalling more than £5.5m for refurbishment of flats and construction of homes in London and Kent, has been awarded to **BUXTON**, Caterham, Surrey. Largest of the four contracts is a project worth almost £2.4m for refurbishment and part rebuilding of two large 1930's-built houses at Delgarno Gardens, Notting Hill. This will create a warden-assisted sheltered housing development of 64 flats for the Southern Housing Trust. Completion is due by late 1989.

At Loampit Vale, Lewisham, work is to start in July on construction of 25 flats and houses for the Solon South East Housing Association, on the former Lewisham sawmills site. The four traditionally-constructed blocks of two and three-storeys will contain ten two-person flats, four five-person terraced houses, 10 four-person terraced houses, and two five-person flats. Overall completion of the £1.6m contract is due in late 1989.

Construction work has started on 14 semi-detached houses and 15 bungalows for Ashford Borough Council under a £1.2m contract for development of Watercress Farm, at Clockhouse Road.

City of London refurbishment

The Fleet branch of **SULZER (UK) BUILDING SERVICES** has been awarded a £3.2m contract to renew mechanical services as part of the refurbishment of the 30,000 sq metre Lloyd's 1958 building in Lime Street, London EC3.

The building includes two basements, a ground floor, gallery and five upper floors containing computer rooms, training areas, offices, staff restaurant and dining facilities for the Lloyd's community. They will be re-equipped with heating and air conditioning, hot and cold water systems, gas supply, sanitation and rainwater systems, fire protection, controls and motor control centres. The work is being undertaken while Lloyd's staff continue working on three of the five office floors. Completion is scheduled for January 1989.

★

Three companies belonging to the **WILLMOTT DIXON GROUP** of construction companies have been awarded contracts totalling £4.25m. Four of the contracts are for Willmott Dixon Construction of Shefford in Bedfordshire. They include a £1m contract to extend and refurbish premises in Welwyn Garden City to provide a headquarters for Henleys Medical Supplies of Hornsey; the construction of a transport depot for the Automobile Association at Brooklands Industrial Estate in Weybridge in a contract worth £1.5m; the refurbishment of a building in Huntingdon to provide offices and stores for Thandar Electronics at a cost of £330,000; and a contract for Cambridgeshire County Council for extensions and adaptations to a school in Peterborough.

Another Willmott Dixon company, Bush Gould of Norwich, has been awarded a contract worth in the region of £250,000 by Russell Davies for extensions to offices in Felixstowe. Willmott Dixon Western of Middlesex is carrying out a £630,000 contract for Hillingdon Health Authority at Mount Vernon Hospital.

A £1.5m shops and homes scheme has been drawn up for a partly-derelict site at High Street, Burnham, Buckinghamshire by **DIX BELGRAVIA**. The development will include 6,500 sq ft of offices, two shop units totalling 2,000 sq ft, and a flat.

Tsing Yi island project

FRENCH KIER, Kier's specialist piling and civil engineering contractor in Hong Kong, has been awarded a HK $230m (£16m) reclamation contract as part of a Shell Hong Kong installation on Tsing Yi island. Work involves the dredging of 1.4m cu metres of marine land-fill to form a nine hectare reclamation and 800 metres of sloping and vertical sea wall will be constructed together with a 170 metre piled quay structure. Under another contract two depots will be built for Hong Kong Tramways as part of its programme for redevelopment of its facilities.

Headquarters for Cairo

ENPPI (Engineering for the Petroleum and Process Industries) of Egypt has awarded a $US15m (£8.4m) contract to **CRC (CONSTRUCTION AND RECONSTRUCTION ENGINEERING CO)** in association with **COSTAIN INTERNATIONAL (CIL)** for the construction of its headquarters building in Nasr City, Cairo, Egypt.

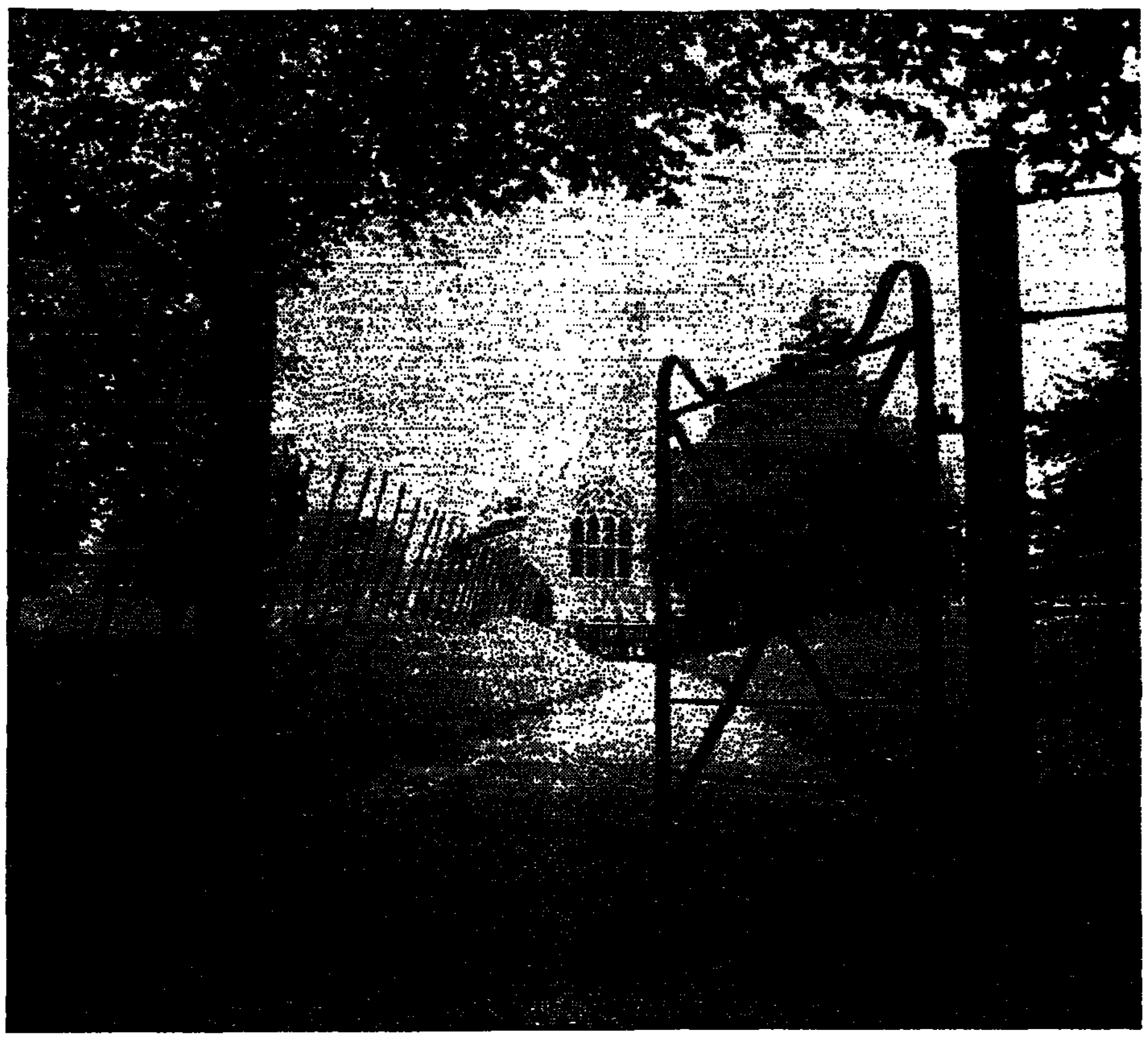
The building, with a total building area of 22,710 sq metres, will have a reinforced concrete frame. The four-storey structure will be finished externally with blue coloured aluminium, glazed curtain wall, infill panels and marble and terrazzo finishes. A feature will be an illuminated tower structure which will be permanently lit to depict an oil well flare. The project is expected to be completed in February 1990.

FINANCIAL TIMES

SURVEY

Northamptonshire's position between the South-East and Midlands is turning this quintessentially English county into a magnet for investment. But it is concerned to avoid its many attractive villages losing their communal life and identity. **Richard Tomkins** reports

Crossroads of prosperity



Northamptonshire

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Left, Castleashby Church, Northamptonshire

"... Old narrow lanes where trees meet overhead
Path stiles on which a steeple we espy
Peeking and stretching in the distant sky ..."

It was in the nineteenth century that the poet, John Clare, wrote these lines about his beloved Northamptonshire, but the present-day visitor would find the words as apt today as they have ever been.

There is something quintessentially English about Northamptonshire. Still predominantly rural in flavour, it is a county of market villages, leafy by-ways, stately homes and gently rolling meadows.

So unspoilt as to resemble a giant picture postcard, it is often quite astonishingly lovely, and doubly blessed for being underwhelmed by mass tourism: "the Cotswolds without the coaches," as the locals have it.

Yet for all this superficial impression of a sleepy shire county stuck in a mediaeval time warp, Northamptonshire is changing. In much the same way as its location has caused it to be the focus of historical events in the past — as when the Battle of Naseby, fought out in the county in 1645, became the turning point of the Civil War — so its position at the crossroads between south-east England and the Midlands is shaping its future now.

Lines of communication have always been important to Northamptonshire. In ancient times it provided a crossing point over the River Nene on the old Jurassic Way. Later it saw the construction of Watling Street, the Roman road running from London to Shrewsbury, and the Grand Union Canal connecting London with the Midlands.

Today it is railways and roads that are bringing prosperity to the county. Two lines from London to the north pass through, with Northampton lying on the electrified Euston-Birmingham line and Wellingborough and Kettering served by Inter-City 125 trains on the St Pancras-Sheffield line. The M1 motorway scythes through the southern portion of the county, while the soon-to-be constructed A1-M1 Link will cut a swathe across its centre.

The combination of good communications with Northamptonshire's proximity to London have not surprisingly turned the county into a magnet for investment from the overheated South-East. The tag "Britain's best kept secret," once used by Northamptonshire in its promotional material, has been dropped as businesses and private individuals, attracted by relatively low property prices and the attractive environment, have poured in.

In a sense, the ripple effect of prosperity now overtaking Northamptonshire is a continuation of a trend rather than something new. The difference is that today's inflow of investment is led by market forces, while in the past it was directed by Government policy.

For centuries a centre of the boot and shoe-making trades, the county's industrial base widened as a result of the industrial revolution but never took off in the same way as the economies of the neighbouring Midlands or South-East.

By the end of the second world war the giant steelworks atCorby, opened in the 1930s to exploit the local iron ore, was the only industrial blot of size on a predominantly rural landscape. The county therefore became earmarked for special development: Corby and Northampton were designated new towns, while Daventry and Wellingborough became overspill towns for London and Birmingham.

The effects of these policies were dramatic. In Northampton itself, for example, the period from designation in 1968 to the winding-up of the development corporation in 1985 saw population grow by 35,000 to 168,000 as 21,000 homes were built. About 10m sq ft of factory space, 2m sq ft of offices and 1m sq ft of shops went up, attracting 200 companies to the town and creating 18,000 jobs.

But all was not rosy in Northamptonshire's garden. In 1979 Corby was plunged into near-catastrophic decline by the closure of its steelworks. Only after a gruelling fight back (described elsewhere in this survey) was it to find its feet again.

Nor was the rest of the county immune to the recession of the early 1980s. Although industrial diversity helped it to bear the strains more successfully than other regions, pockets of hardship were to emerge; and more fundamentally, the era of artificially-stimulated growth in the new and expanding towns began to draw to its close, leaving them largely to fend for themselves.

Yet self-survival has not produced a slump in the county's fortunes. Far from it: national recovery combined with Northamptonshire's natural attractions of location and environment has enabled the county to maintain the flow of inward investment without the artificial stimulus of government assistance.

Agriculture remains a significant part of the local economy to this day, as does the footwear industry. But the importance of location and communications is illustrated by the roll-call of major employers in the county whose apparent diversity masks one common element: the relevance of distribution to their operations.

Examples are MFI, the furniture retailer, which has its national distribution centre in Northampton; Carlsberg, which chose the town for its first brewery outside Denmark; Blackwood Hodge, the world's largest distributor of earth-moving equipment, with its base in Hunsbury Hill; Avon Cosmetics, with its riverside complex in Northampton; TNT IPEC, which chose the county for its inland port; and Weetabix, the cereal manufacturer, with its headquarters in Burton Latimer and another plant in Corby .

Typical of the trend was the announcement by Systemline Contract, the distribution company, just a fortnight ago that it was opening a warehouse in Northampton which would handle a £20m five-year contract for Ferguson, the electrical company, creating another 100 jobs.

Nearly 21 per cent of Northamptonshire's industry workers are now estimated to be employed in the distributive, hotel and catering trades, and the influx of other service sector employers — a notable example being Barclaycard, with its national headquarters employing 3,000 — has resulted in services growing at the expense of the manufacturing sector in which light engineering predominates.

Overall, the picture now is one of robust economic health. Unemployment, down to 6.6 per cent in April, is well below the UK average of 9.1 per cent and the East Midlands regional average of 8.3 per cent and, although still higher than the county would ideally like, it is already at the stage where skill shortages are arising.

The Commission for the New Towns, which has taken responsibility for the disposal of assets in Corby and Northampton since their respective development corporations were wound up, describes the area as one of the most successful in the country.

"Its location, its environment ... if you put everything together you have got almost a textbook location for investment and development," says Mr David Woodhall, the commission's chief executive.

Even in Corby, where the commission had a special remit to promote reconstruction and attract new industry, Mr Woodhall says the number of jobs is now back to the level it was at before the steel closures began, and the town's economy is all the stronger for being built on a more diversified base.

If Northamptonshire does have a problem, it is the opposite of industrial decline: it is far more to do with the pressures created by the continuing influx of people and businesses.

Mr Mike Kendrick, director of planning and transportation at Northamptonshire County Council, says one concern in the county is the extent to which its many attractive villages could become dormitory areas, for wealthy commuters from the South-East, thus losing their community life and identity.

Efforts are therefore being made to promote carefully-controlled developments in appropriate industries — of which tourism is one — in the countryside so that the villages remain viable economic entities, not simply show-pieces.

Conversely, however, another major concern is the extent to which development pressures could, if not carefully controlled, adversely affect the rural environment.

Agricultural land values in the county are poor compared with development land values and Mr Kendrick points out that the disparity inevitably creates pressure to convert the one to the other.

Northamptonshire's concern has been partly alleviated by the Environment Secretary's reponse to the new county structure plan in which he broadly approved the county's planning policies for the period to the year 2001.

"We were worried that if we were expected to take significantly more development than we had planned for, particularly in the rural areas, then that would have destroyed what we were trying to protect," says Mr Kendrick.

"Maintaining the right balance between development and the environment is our main concern, because if we destroy that, then we destroy the very reason why people come to Northamptonshire in the first place."

NORTHAMPTONSHIRE 2

The county's footwear manufacturers are responding to the fashion for classic styles

Traditional industry bucks the trend

IN THE last year or so, three gleaming new footwear factories have been built in Northamptonshire: all three are now manufacturing the traditional men's shoes which have been made in the county for centuries.

News of investment and expansion is welcome in every area of manufacturing; but in the beleaguered British shoe industry it is doubly so.

In recent months when most of the footwear sector has been embroiled in cuts and closures following a surge of low cost imports that has flowed into Britain since last autumn. But one part of the industry has bucked the downward trend: the men's shoes manufacturers still concentrated in their traditional territory of Northamptonshire.

Noone knows when the county first became the centre of men's shoe making. There is a story, possibly apocryphal, that the city of Northampton is still owed money by the Government as payment for shoes made for Oliver Cromwell's army in the 17th century.

The industry originally emerged in the county because of the availability of leather. The fertile river valleys of the Ouse and the Nene have long provided grazing for cattle. Given that cattle hide is thick and sturdy, it tends to be used to make men's shoes; while the finer hide of the sheep and goats of Leicestershire and Norfolk is better suited to meet the needs of the women's and children's shoe makers of those counties.

The Northamptonshire footwear industry flourished until the late 1970s when the combination of increasing imports and a slump in consumer spending dealt a devastating blow.

In the past decade the industry has halved in size. The county has lost more jobs from the decline of the shoe sector than from the much-publicised closure of the British Steel complex at Corby.

Today there are now about 50 companies making shoes in Northamptonshire with a workforce of 8,700 people. The British Shoe Corporation, part of the giant Sears group, dominates the industry with more than 1,300 employees at its three factories.

The other large concerns are Church, famous for its classic brogues; Griggs, which makes Dr Martens shoes; and John White, the footwear firm recently sold by Ward White to its management in a buy-out.

In many ways the men's shoe makers of Northamptonshire suffered more than their counterparts in the women's and children's sectors in the recession of the late 1970s and early 1980s. For the competitive pressures of rising imports and dwindling demand were combined with the emergence of trainers, or the sports shoes, made in the Far East which are now worn by many men instead of traditional footwear.

Yet for the past two or three years the Northamptonshire companies have benefited from the fashion for traditional, "English" shoe styles. This fashion has not only stimulated demand for Church's classic brogues and Dr Martens within the UK, but has encouraged export sales.

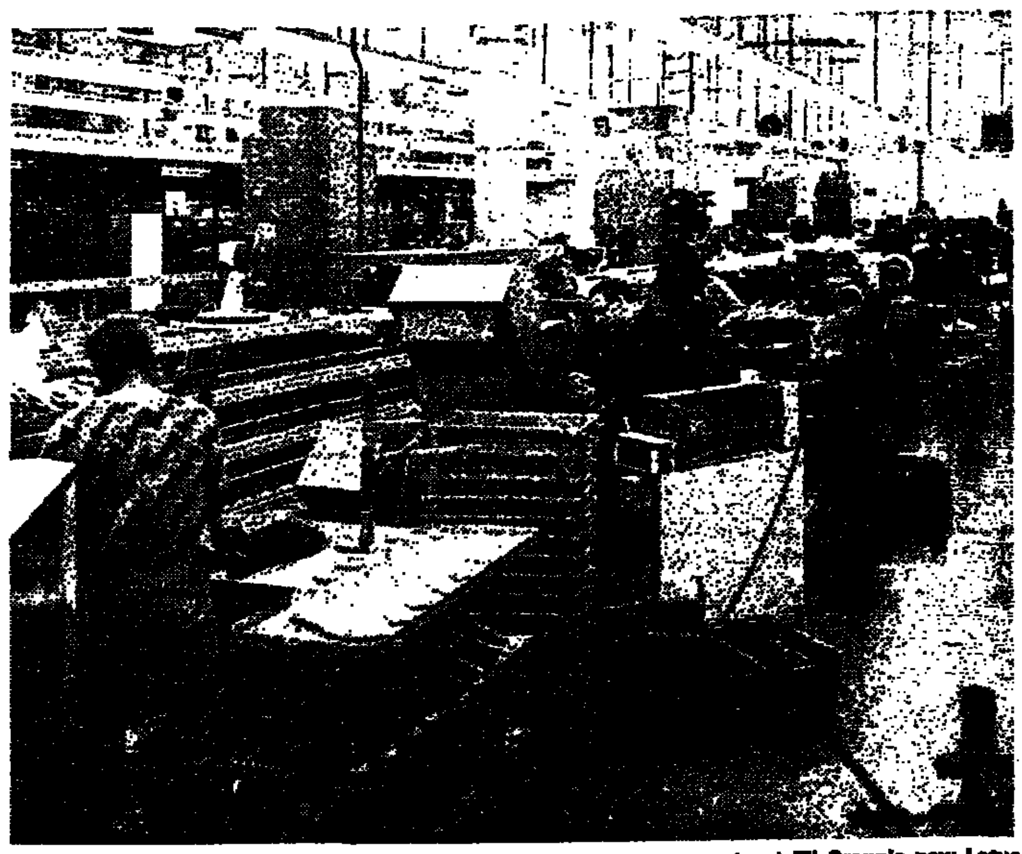
As a result the "classic" manufacturers, like Church and Grenson, have benefited from buoyant export sales. Similarly Griggs has been able to nurture new overseas markets for Dr Martens, which have become fashionable footwear for young people throughout the world. Some of the specialist producers, like George Cox which makes 1950s-style "brothel creepers", have also prospered.

A busy day in Northampton's picturesque market square — one of the oldest in the country

In 1987, a year in which the £885m British shoe industry as a whole saw output fall because of increased competition from cheap imports, the Northamptonshire manufacturers were chiefly responsible for an 11.5 per cent increase in exports to £186m.

So far in 1988 the growth of exports has continued. In the first quarter of the year the industry mustered export sales of £46m, according to statistics from the British Footwear Manufacturers Federation: an encouraging increase on the same period last year.

Griggs has been sufficiently confident to have invested in a new factory to manufacture Dr Martens specifically for its overseas markets.



Lasting footwear: assembly of the uppers and bottom shoe components at FII Group's new Lotus welted shoe factory in Northampton

Yet the rise of the pound on the foreign exchange markets has cast a cloud over the future prospects for exports. Church has already seen sales to the US falter as a result of the dollar's decline, yet so far it has been able to compensate by increasing sales to Europe.

Similarly on the home front demand for British-made men's shoes has proved to be remarkably resilient despite the overall increase in imports of footwear into Britain.

Since last autumn the British market has been flooded by low cost footwear from the emerging production centres of the Far East like South Korea and Taiwan. But it has been the women's shoe makers – concentrated in Leicestershire and Lancashire – which have borne the brunt of this influx of imports. The Northamptonshire men's shoe manufacturers have suffered too, albeit to a lesser extent.

There has been continued pressure from Eastern Europe in countries like Poland and Czechoslovakia. Moreover the indirect effect of increasing imports – depressing prices across the marketplace – has spread from women's shoes, where direct overseas competition is most intense, into the men's sector.

Similarly the Northamptonshire manufacturers have to grapple with the problem of rising raw material prices. The price of leather has rocketed in recent months.

Nevertheless they have forged ahead with their expansion plans. In addition to the new Griggs factory, the FII Group has built a new welted shoe plant for its Lotus subsidiary and Barkers of Earls Barton has shifted production from its old factory into a new £8m unit.

So far this confidence has been justified. For the level of demand for the traditional men's welted shoes – which have long since been the bastion of the Northamptonshire industry – is still outstripping supply.

Alice Rawsthorn

Property market

Location, land, labour

WITH THRIVING, and competitive locations like Peterborough just over its eastern border, Leicester to the north and Milton Keynes to the south, Northamptonshire might appear to have its work cut out in attracting property development.

However, says Colin Marriott, a director of local agents Berry Commercial, this is only because Northampton itself has gone on to the back burner in recent years. He worked for Northampton when it was a New Town – it was designated in 1968, and handed over to the Commission for the New Towns in 1985.

Before then, he says, Northampton was well up with the competition. Furthermore, he says that in the past twelve months, a combination of economic prosperity and major potential infrastructure improvements have brought property development back to a high pitch in the county town, and that the effect is spreading into other Northamptonshire towns like Kettering, Wellingborough and Corby.

David Woodhall, chief executive of the Commission for the New Towns, and county planning officer for Northamptonshire for a decade, says that the county emerged as a commercial property location in the early 1960s on the back of the "three Ls": location, in its central position in the country, a skilled labour force and the availability of land, "sensitively organised by a number of development agencies."

Of Northampton, he notes that the former New Town Development Corporation, between 1970 and 1985, brought into the town 200 broadly based companies, 70 from overseas representing 17 countries.

Almost 10m sq ft of new factory space, 2m sq ft of office accommodation and 1m sq ft of shops created over 18,000 extra jobs and established one of the best industrial relations records in the UK. The Corporation built 21,000 homes, sold land for private construction and provided modern sports, entertainment, health care and educational facilities, including 28 schools.

Now, there are a number of signs that development is going up market. Northampton and its neighbour Daventry (a population expansion area for Birmingham) are close to the M1 and they have always been excellent locations for national distribution. However, the CNT sold a prestige corner site of 4.88 acres to the Newbury-based commercial developers, Trencherwood, last year and that is being developed as a "high tech" business complex in conjunction with Sedgebrook Securities.

To date, the county's evolution in business park development has taken it up to what has been called "mid-tech". This tends to be warehouse shed space with maybe a 30 per cent content of office space, faced in coloured glass which is stuck on the front to look impressive. Now, says Mr Marriott, there are two proper business parks, office/product development/research and storage hybrids, planned for the Watermills site in an expansion area south west of Northampton.

Now, there are a number of signs that development is going up market

Even further up the market, Mr Marriott's firm is acting for London developers Abbcott Properties in the development of a 600,000 sq ft campus office park on a proposed A43/M1 junction south of Northampton. He observes that Northampton's urban office space has reached saturation point; that the A43 upgrading to Oxford will give the county excellent, and much needed communications with the M4 and the South West; and that an American company is already negotiating, among 200,000 sq ft of firm enquiries, to take its headquarters out of London and on to this, the Milton Corporate Office Park.

Alongside, rather than above a balanced, conventional retail property market, the CNT is putting forward an out-of-town retailing and leisure complex for a 64 acre water meadow, which is presently zoned for industrial purposes, by the river Nene. This, it says, will (a) accommodate large, non-food retail space users which will not compete with Northampton town centre and (b) open up the river for leisure purposes; it could also, he says, perhaps accommodate the National Fairground Museum, with working models for visitors to sample. The local authority is not enthused, and the question of planning permission is going to appeal.

The county is a nice place to live in. It is a boast of the locals that some people might work in Milton Keynes, but live in Northamptonshire – although, to be fair, the same sort of people might also work in Northamptonshire towns and live in the country.

Northamptonshire villages manage to look lived in and very attractive at the same time; and they are getting more expensive. Weatherall Green and Smith, the CNT's retained agents, say that residential land prices in and around the county town have risen from £100,000 in 1985 to over £400,000 in some cases today. Research indicates that there is commuting to London as well as Milton Keynes, especially from Kettering which, with Corby, is on a fast inter-city line to St Pancras. WGS partner George Brutton also says, incidentally, that industrial land values have more than doubled around Northampton in the past twelve months and that the going rate at Brackmills is now comfortably in excess of £250,000 an acre.

Kettering, of a size with Corby and Wellingborough, got there by being a mature market town rather than on the growth induced by Enterprise Zone status – given to Corby when the steel industry expired – or expansion area designation, which went to Wellingborough to take the heat off the Greater London area.

Kettering has the accolade of hosting the only Marks & Spencer branch in the three second echelon towns in the county and it is looking for considerable benefits from the pending A1/M1 link which will pass just south of the town.

Will development pass the county by, now that it is becoming more expensive? Colin Marriott thinks not. He admits that residential property prices are "going through the roof" but he notes that the county structure plan has been changed slightly. There has been a nominal increase in new units, he observes, but while there has been a lot of pressure for residential development in rural areas, very large areas have been identified in the towns. These, he says, can certainly accommodate the growth required.

William Cochrane

Profile: Corby

A bustling new world beyond steel

PEOPLE IN Corby have found a world beyond steel – and they acknowledge that they like it.

This town of 52,000, which grew up around an integrated iron and steel works using local iron ore, has been transformed in under ten years into a bustling centre for diverse manufacturing and distribution activities. It is now the very model of a modern industrial town and is making an important contribution to the economic prosperity of Northamptonshire.

The renaissance of Corby is all the more remarkable when it is judged against the desperate situation that faced the town back in 1979 when the British Steel Corporation – suffering unsustainable losses – was forced to to end steel-making there as part of its programme for wholesale rationalisation.

British Steel was able to keep the Corby tube-making plant in business. And today it is still the biggest single employer in the town today with a pay-roll of 2,000. But the closure of steel-making resulted in 11,500 jobs being lost. That meant that the jobs of half Corby's workforce disappeared within a short space of time.

A measure of the success achieved since then is that skills shortages and the problems of skills mismatches are now the primary concerns of the Corby authorities. Although total unemployment among adult males and females stands at 2,605 (10.7 per cent of the workforce) many within that figure are unemployed because they lack skills or are not actively seeking employment. A more useful figure to demonstrate the buoyancy of the Corby economy this spring is that there are only 37 youngsters under the age of 18 seeking work in the town – and local employers are regularly seeking to hire more young people.

Since 1981, more than 400 companies have moved into Corby attracted by the ready availability of good labour, the heavy investment in infrastructure that has been poured into the town, and the united efforts of the Corby District Council, the county, the New Towns Commission, the Corby Industrial Development Centre, and BSC(Industry), to put the town to work again.

New industrial patterns are fast emerging. Corby has proved very attractive as a distribution centre. It occupies a strategic location mid-way between the M1 and the A1 north-south roads, and astride the important east-west routes which link the west Midlands and the north west with the east coast and the south east ports.

The town centre of Corby: now the very model of a modern industrial town.

Corby has also become a national production centre for the food industry, helped again by its position amid rich English farmlands. It has two potato crisp factories, Golden Wonder and Hunters Foods, Weetabix makes breakfast foods there, and Allied Foods amd RHM also have plants.

The presence of the food industry and the skills in metal-working and general engineering among Corby men has also led to a number of companies settling on the several industrial estates to make stainless steel equipment for food processing and other uses.

High-tech businesses also like Corby. One company, Willett Printos, which makes microprocessor-controlled marking machines had done its basic research into its product in Cambridge. The founder, Alan Willett found 5,000 sq ft of factory space in Corby to begin manufacturing with a staff of five. That was four years ago. Since then the company has expanded in quick succession to 15,000 sq ft, to 30,000 sq ft, and, lately, to 55,000 sq ft, and now employs a staff of nearly 200.

Mr Ray Jackson, director of industry at the Industrial Development Centre, says: "there is a momentum and self-confidence apparent in the town now. After the rapid growth of the last few years people are confident that even more jobs are going to be created here. The sort of businesses we have here tend to grow and to employ more people. That is being noticed by the workforce".

Corby is short of managers. Companies arriving in the district have tended to bring their key managers with them. But they would like to find new managerial material locally. And it is proving quite a hunt. Many of the managers made redundant at the time of the steel closure are comfortably provided for with their redundancy arrangements and are not seeking new jobs. Mr Jackson has started a campaign to persuade some of Corby's retired management material to work part-time, or to take up contracts for specific periods with firms who are eager to employ their skills.

Meanwhile, British Steel plays a role in encouraging new "seed corn" businesses to set up in Corby. Within the BSC site there are nursery workshop units run by the subsidiary BSC(I) which are proving to be a continuing success in helping fledgling businesses get started. The manager, Mr George Deacon, is more than willing to act as adviser to smooth the problems of these young businesses.

BSC(I), which was founded to help cushion the blow of steel industry redundancies, is still making soft loans available at 1 or 2 per cent below bank rate over periods up to 3 years for suitable businesses wishing to set up in the Corby district and provide employment. Usually the loans are in the range up to £100,000.

The rescue of Corby was born out of desperation when the people and British Steel realised that the heart was being torn from the town by the closure of primary steelmaking, and that something had to be done.

Coopers and Lybrand Associates, who were called in as consultants, proposed a massive programme for industrial development. The government, the European Community, British Steel, the county, and the local Labour-controlled council all cooperated to develop what was probably the most impressive crash programme to rescue an ailing British community ever

The New Towns Commission was given a special role by the government to assemble industrial sites, build roads and infrastructure, and provide everything necessary to attract new industry. It was spending up to £12m a year of public money to help the local economy in the early years after the steelmaking closure.

The social mix of Corby is, to say the least, unusual. It is a Scottish community transplanted to the rolling country of Northamptonshire.

The reason is to be found in the history of the British steel industry. In the early 1930s the Scottish steelmaking company Stewarts and Lloyds, then still a family business, chose the village of Corby as the site for the biggest integrated iron and steel and tube-making works in Europe – exploiting the local iron ore. Corby had a population of just 1,500 people before the tartan invasion.

Several generations later the Scottish accent is still strong in Corby, and the town even boasts a supporters' club for Glasgow Rangers. A little piece of Scotland in the English Midlands, it seems to offer a healthy mix for modern business life.

Roy Hodson

Export success for Weetabix

WEETABIX, which began as a small family concern in Burton Latimer, Northamptonshire, in 1932, is today a leading manufacturer in the UK's £570m market for breakfast cereals and exports its products to 70 countries.

The company which now produces 60m Weetabix biscuits a week is still privately-owned, with Richard George as chairman and managing director. The Northamptonshire plant employs 1,500 people.

The majority of the sales are shared between the company's famous major brands, Weetabix and Alpen Original, and a number of recent innovative products such as WeetO's, varieties of Alpen with tropical fruit or without added sugar. Other products include Farmhouse Bran, Top Bran and Weetaflakes.

In 1975, the company opened a second factory at Corby. This year the company will spend £8m promoting the Weetabix brand with a campaign concentrating strongly on children's TV. Alpen is supported with an annual advertising spend of more than £4m and with $3m for the WeetO product. Weetabix estimates that the UK market for ready-to-eat breakfast cereals has grown by 40 per cent in volume in the last five years.

Among its steadily expanding export markets, Weetabix is making strong emphasis on Europe and North America.

The M1-A1 Link

Cheeky Kettering

CHEEKY KETTERING, often neglected in the past when it came to handing out investment incentives such as enterprise zones to other towns in Northamptonshire, has its own name for the road soon to carve a horizontal path through the middle of the county: the Kettering Link.

This alternative title for the road otherwise known as the M1-A1 Link is not without merit. By far the largest town on the road, Kettering is uniquely placed to reap dramatic benefits from the improvement in communications that the county's first proper east-west route will offer.

The town will also be a major beneficiary in terms of the relief which the accompanying ring road will give to its internal road system. For years in a state of limbo pending a decision on the M1-A1 Link, Kettering has been handicapped by its status as the only town of any size in Northamptonshire not to boast a by-pass.

The 45-mile M1-A1 Link will start at the point where the M6 forks off the M1 near Rugby and end on the A1 near Huntingdon, with a loop half-way along its length around Kettering. It will be a dual carriageway of near motorway standard and is expected to cost £126m to build.

Although the Link will undoubtedly provide an important economic boost for Kettering and Northamptonshire generally, it was not specifically planned for that reason. Rather, it was intended to speed up communications between the Midlands and the East Coast ports, a need which has become all the more pressing with the abolition of EC fiscal frontiers looming in 1992.

The road, however, has been dogged by controversy. Its route was decided only last year after a contentious 143-day inquiry at which the inspector rejected four other possible routes put forward by objectors to the plan.

Perhaps the most divisive issue

The road has been dogged by controversy

at the public inquiry was how the Link should pass the historic village of Naseby. The Government decided to accept the inspector's recommendation that the road should pass north of it, resulting in a route which crosses the southern edge of the famous battlefield where King Charles I and Prince Rupert suffered a serious reverse at the hands of Sir Thomas Fairfax and Oliver Cromwell during the English Civil War in June 1645.

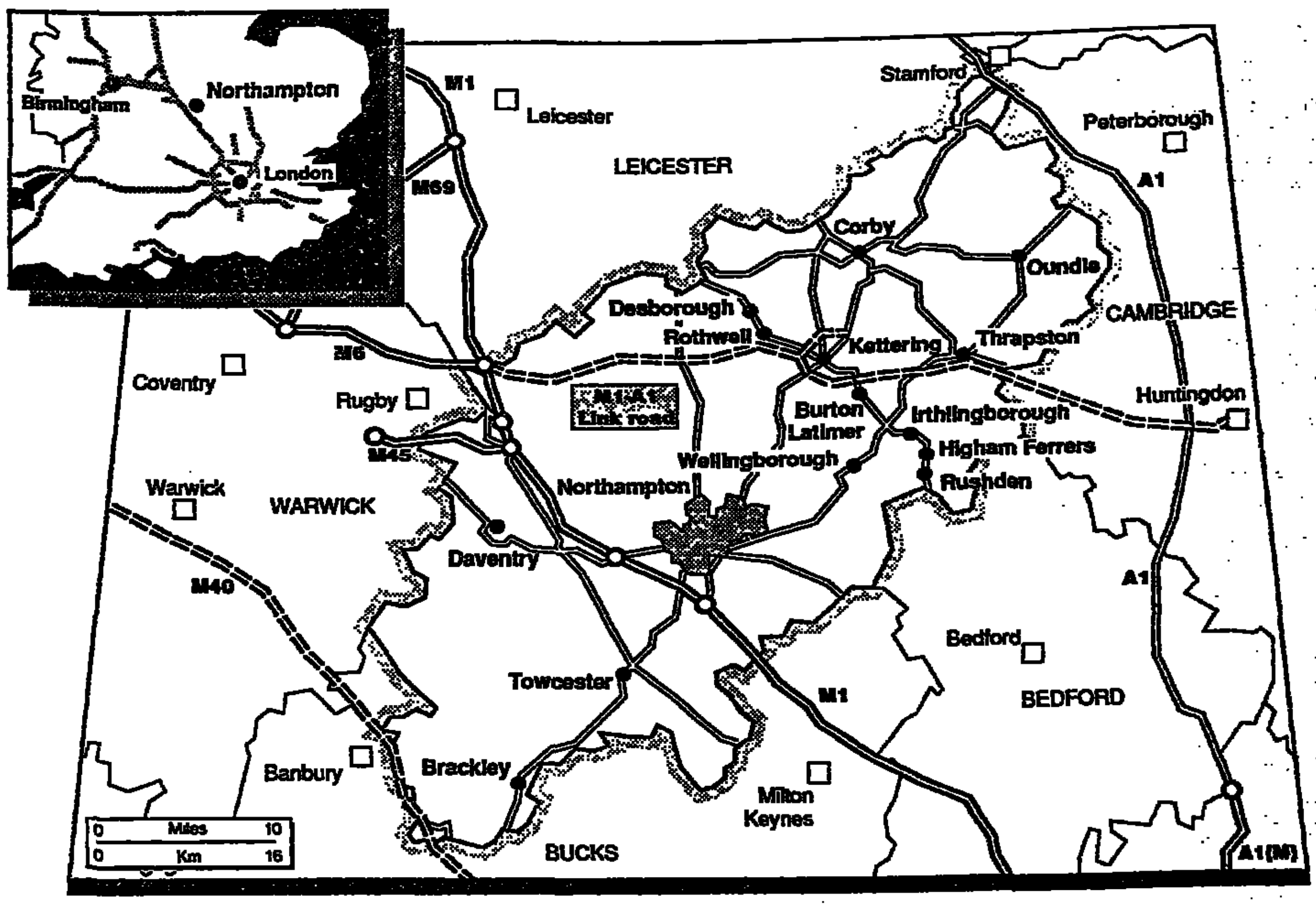
The Government said it had decided to adopt this route because an alternative line to the south of the village, avoiding the battlefield, would have had an even more serious effect on nearby villages and the countryside.

The Society for the Preservation of the Battlefield of Naseby, however, is incensed by the decision and has taken its modern-day battle of Naseby to the High Court, where all parties are awaiting a hearing of its challenge to the Secretary of State's line order.

Work on the Link was originally expected to have begun earlier this year but it now seems unlikely that the first sod will be cut until October, when construction of the Kettering to Thrapston section is expected to start and dualling of the A604 on to the A1 should begin.

Completion of the Link is envisaged in 1991 but this target appears increasingly unlikely to be met. While Kettering may have its route to the A1 by then, it may have to wait till 1992 before it is fully plugged into the motorway network.

Richard Tomkins



Tourism

A subtle but growing role

THE CONCEPT of tourism has come fairly recently to Northamptonshire. Although replete with attractions both natural and historic, the county has in the past kept them mainly to itself, prefering to maintain the tranquillity of the traditional English countryside rather than prosper at the hands of coach-loads of trippers.

If that is changing now, it is only subtly. Northamptonshire is not alone in believing that uncontrolled tourism can create more problems than it solves, and the economic buoyancy of the county is such that it has no need to rush headlong into the mass market.

Yet tourism does have an important, and growing, role in the county. Northamptonshire recognises it as an industry which can make an important contribution – though certainly not the only one – to job creation in the rural areas, where many villages might otherwise be in danger of becoming mere dormitories for commuters travelling to larger towns and the South-East.

This is not simply a matter of providing people with summer jobs as coach park attendants and ice cream vendors. Instead, the emphasis is more imaginative developments with potential for attracting visitors all year round, either by protecting them from the elements or by exploiting variations in the weather.

An example of the latter is the scheme afoot at Raunds, where a living museum of rural life is planned. Here, one idea is that people would take on the roles of characters in a village of, say, mediaeval times and adjust their way of life to suit the seasons, so that a snowfall would give the tourist something new to see, not close the exhibit down.

But there are also tourist attractions of the more traditional variety in Northamptonshire, and a great many of them. *The county is typified by all* things English: delightful stone-built villages, remains of ancient forests, magnificent Saxon churches, and many stately homes.

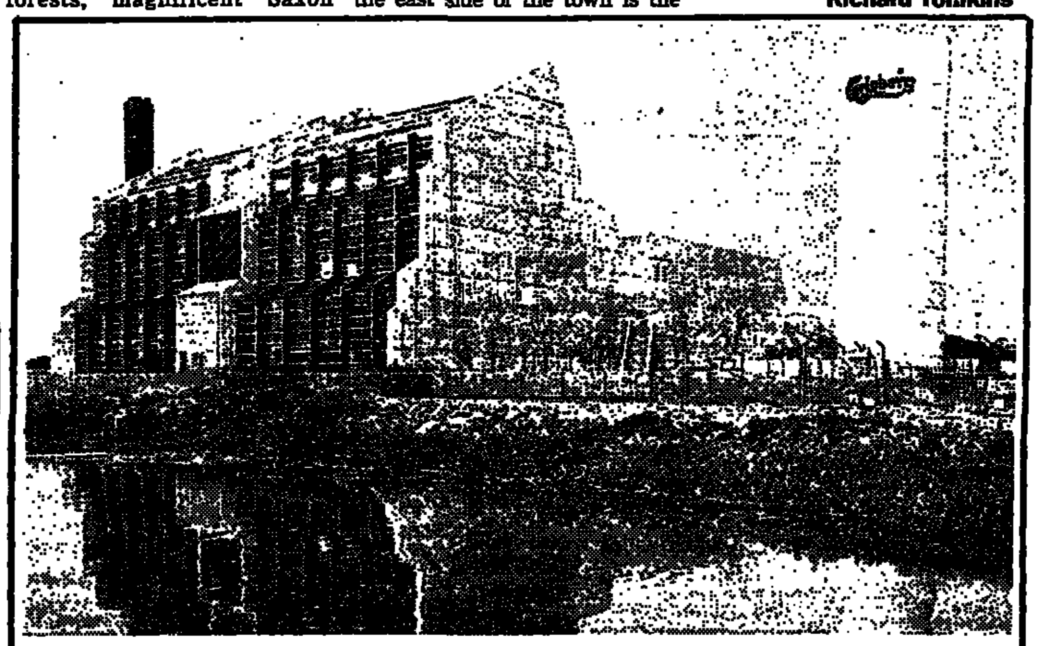
Perhaps Northamptonshire's best-known tourist attraction is Althorp House, seat of the Spencer family since the 16th century and home of the family of the Princess of Wales. But if other places of interest lack the kind of fame accorded to Britain's Blenheim Palaces or Windsor Castles, part of their very charm lies in the fact that they are relatively undiscovered.

The 15th century Boughton House, for example, north-east of Kettering, has been described as a vision of Louis XIV's Versailles, transported to England. Nor far away, just north of Corby, the well-preserved *Rockingham Castle* was the seat of Norman kings, while a short distance away on the east side of the town is the splendid Deene Park, family home of the Earl of Cardigan.

Althorp apart, the county has many other historic connections with royalty. It was in Fotheringhay Castle, for example, that Mary Queen of Scots was executed in 1587, and although only the ruins of the castle remain, its staircase – and the queen's ghost – are reputedly now to be found in the ancient Talbot hotel in nearby Oundle.

Just 58 years after Mary's execution, her grandson, King Charles I, was defeated at Naseby in a battle that marked the turning point of the English Civil War. A year later Charles returned to Northamptonshire as *a prisoner, to be incarcerated in* Holdenby House.

Richard Tomkins



☐ CARLSBERG'S architecturally-arresting brewery at Northampton, the company's only production centre outside of Denmark. The kegging, bottling and canning operation, established in 1973, now supplies more than 50,000 pubs and clubs, plus thousands of supermarkets and off-licences in Britain with its well-known range of lager brands.

Barclaycard nerve centre

BARCLAYCARD, which claims to be the UK's largest credit card organisation, is one of Northampton's major employers, with a workforce of around 3,800.

The Northampton operation began 22 years ago with 246 employees at Aquila House, a converted shoe factory in St Giles Terrace.

Today the multi-storey Barclaycard headquarters in Marefair, processes the accounts of 9m credit card holders.

Turnover by Barclaycard in 1987 was £6.4m. It is estimated that at least 17 per cent of the UK's adult population hold a Barclaycard which is accepted in more than 250,000 retail stores in the UK and more than 5m outlets worldwide.

There were around a million card holders soon after the Northampton operation was launched in 1966 but the total grew steadily and, by 1972, the total had doubled. Barclaycard is now part of the international Visa organisation which is a worldwide computer network which facilitates credit card payments in around 160 countries.

The Northampton nerve-centre handles between 40,000 and 60,000 calls a day – or almost 20m calls a year. A team of 450 authorisation clerks work on a shift system with around 160 on duty for each shift.

A giant mailroom in the St.James Hill Road area sends out more than 5m customer statements each month, which represents about 200 sack-loads of mail each day. Around 200 people, including 20 former police officers, work in the fraud prevention department.

Profits for the Central Retail Services Division of Barclays last year were $5m up on the previous year, at £97m. Barclaycard turnover jumped by 20 per cent to £6.5bn and the number of Visa transactions processed increased to a new record of £277m.

Profile: MFI

Buyout to expansion

IT IS possibly the largest furniture warehouse in Europe: a vast 22–acre building piled 26 feet high with tables, chairs, cupboards and the like, all packed up and ready to be shipped out to MFI's 142 outlets at a moment's notice.

The MFI National Distribution Centre at Northampton is located in a total expanse of 42 acres, employs 500 people and ships out an average of 370 trailer-loads of merchandise every week, carrying as much as 350,000 items of furniture.

Every year, transporters from Northampton – brightly emblazoned with the "won't be beaten" logo – cover some 3½m miles and deliver over 15.3m items.

MFI's trading philosophy is encapsulated in the phrase: "See it, like it, take it away". This requires maintaining a large number of stock-lines at the individual stores, and being in a position to replenish stocks promptly.

Hence the need for a vast distribution centre within easy reach of the UK's main motorways. With 100 loading bays, the Northampton site has the capacity to handle up to 150 incoming containers a day.

Linked to Northampton by computer, the individual store has more than a 90 per cent chance of finding its required item in stock. At any one time, the warehouse stores as many as 2m separate pieces of furniture, from video trolleys to three-piece suites. At cost prices, the Northampton stock is worth between £25-£30m at any one time.

Computers assist not only the ordering process, but also the shipping and loading of the transporters. The computer calculates the optimum load mix; computerised "stuffers" pack the goods into the lorries.

With a total of four miles of roadways, many 14 foot wide or more, the warehouse is arranged on a relatively simple de-mountable stacking system which allows pallets of merchandise to be piled to the ceiling. A fleet of special bicycles has to be maintained.

Following a recent diversification into carpets, a new range of equipment has been introduced to the warehouse. For example, extra wide aisles have been designed to give extra manoeuvrability to fork-lift trucks with 12 foot booms, specially adapted to handle carpet rolls.

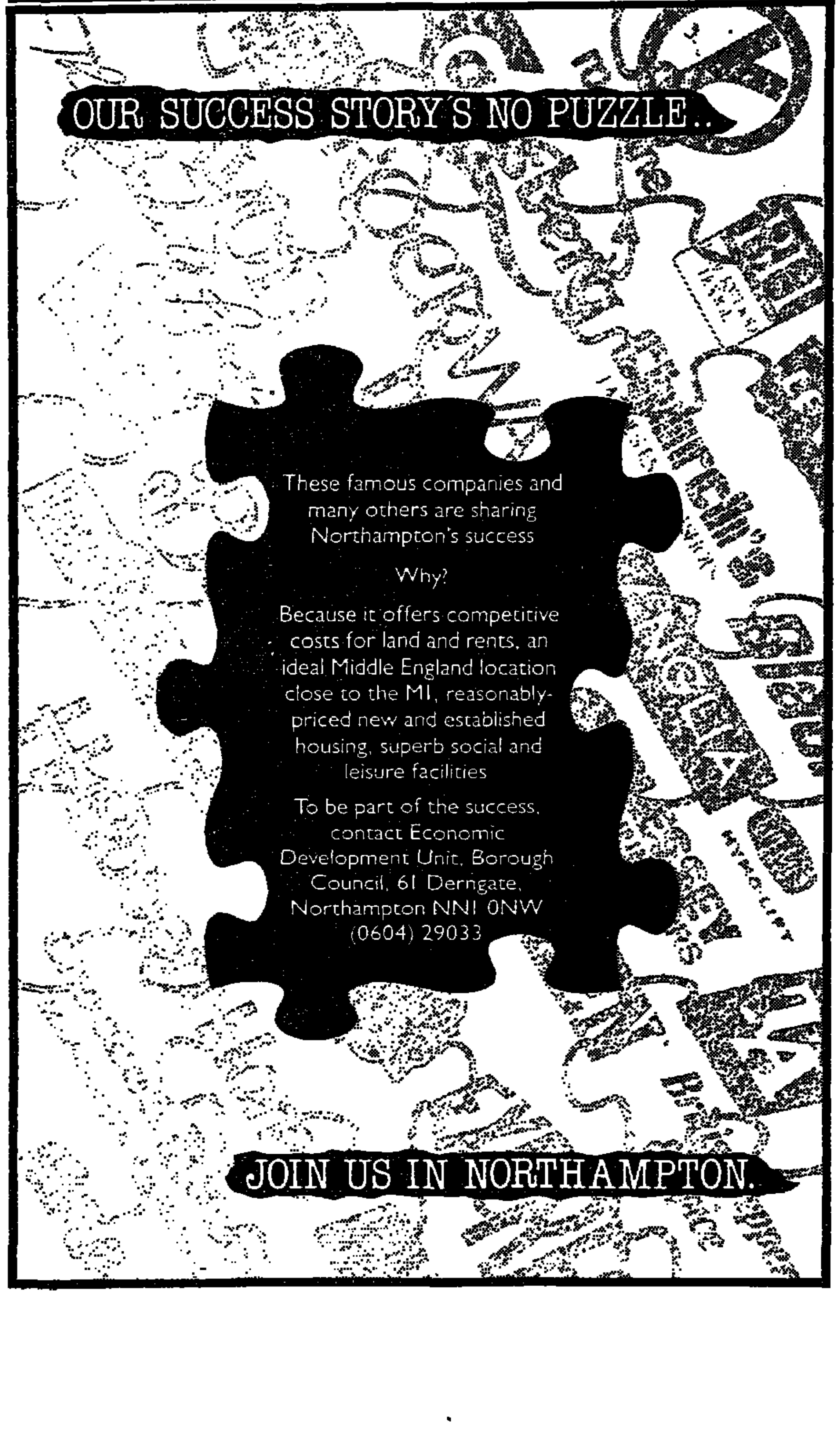
The centre houses sophisticated carpet cutting equipment which allows just two, skilled employees to wrap any standard length of broadloom in a total of approximately one minute. Also sited at Northampton are the quality control department and the spare parts division. MFI hopes to locate the required part and deliver it to the branch within a week of the customer's request.

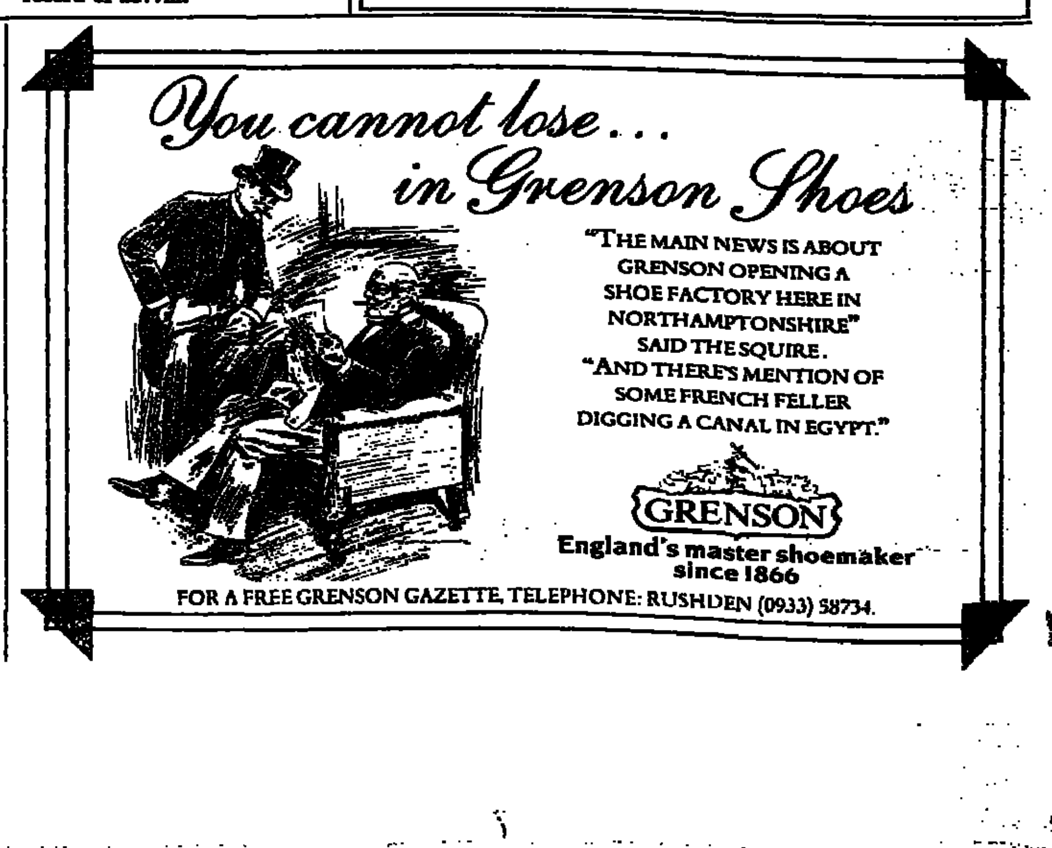
Work on the 1m square foot warehouse began in 1979 and was concluded in September 1985. According to Derek Hunt, MFI's chairman and chief executive, Northampton was chosen because of its geographical position, and because of the availability of suitable land and employees.

Its goods mainly sourced in the UK, the warehouse now serves some 45 per cent of MFI's total product requirements. The balance is manufactured by Hygena, the kitchen company which MFI acquired in October last year as part of its £715m management buyout from ASDA, the supermarket group.

This was the UK's largest ever management buyout and was unusual because of both the large numbers of managers who participated in the transaction and the fact that employees were also given a chance to buy some shares in the new company.

It is intended to expand the warehouse's present capacity by a further 250,000 sq.ft. in line with the company's anticipated rate of growth. MFI is planning to increase its selling space by a half. Currently, its 142 outlets represent 5m square feet and employ 6,500 people.





Architecture/Colin Amery

All souls to the plantation

The fine Codrington Library at All Souls in Oxford is fascinating because it defies any architectural traditions by being as totally classical inside as it is Gothic outside. Begun in 1716 after Christopher Codrington had bequeathed the sum of £6000, Nicholas Hawksmoor, who was then working for All Souls, favoured the Gothic style for the North Quadrangle while also advising the college to be certain to preserve "antient, durable Publick Buildings . . . instead of erecting new, fantastical perishable trash." (All City developers and attenders of public inquiries please note.)

For the west front of the Library Hawksmoor produced one of his most brilliant designs. He repeated the composition of the fifteenth century antechapel, but on the outside his main window is a Gothic version of a Venetian window, while on the *inside it* is entirely Classical. As we dither today about the tenuous return to the Classical style, a real genius like Hawksmoor was inventive enough to devise a Baroque Gothic design that was entirely original and yet at home in the older confines of All Souls.

Inside, the Codrington Library is one large room, with all the internal woodwork by Hawksmoor; great pilasters divide the books and a run of triglyphs and metopes apparently support the gallery. It is one of the most satisfying rooms in England, and at its centre is a statue of Christopher Codrington, in Roman dress, sculpted by John Cheere in 1734.

It is this powerful-looking figure who concerns us this week. He was born in Barbados in 1668, where his grandfather had gone from England in 1628 and made a substantial fortune from sugar. Christopher grew up in Barbados in an atmosphere of power and money. He seems to have followed the ideals of Renaissance manhood: poet, Fellow of All Souls and a volunteer in the fight against Louis XIV.

This mixture of intellect and physical skill would seem to have equipped him perfectly for his role as Governor of the Leeward Islands, but his views on the treatment of slaves did not find favour with the white settlers. He wanted the slaves to be taught Christianity, but because this would have meant teaching them English as well the settlers thought that the seeds of revolt as well as faith would be nurtured.

Codrington withdrew from his post as Governor, and at the age of 36 returned to Barbados, to his stone built mansion at St John. In his study in this beautiful part of the island he planned a remarkable gift. On his death, he left two plantations in Barbados and a part of the island of Barbuda for the foundation of a theological college. He wanted "training in physic and chirurgery as well as divinity," and the Codrington College thus founded was to have a profound effect upon the future population of Barbados.

The college buildings were completed in 1743 and today, despite the occasional hurricane, look much as they did when they opened. It is a wonderfully dignified range of classical buildings set in a green and rolling landscape with views of the Atlantic. The approach to the main college building is along a fine avenue of cabbage palms and past a lake which is seasonally covered with water lilies. The Principal's Lodge was the original plantation house, and like the other buildings is stone with simple classical detailing. The whole college has a perfect atmosphere of classical calm – simple rooms, fine proportions, and all set in a tropical landscape of great beauty.

Unlike the Codrington gift to Oxford, secure in the arms of All Souls, the college in Barbados is in need of help. It has had its problems in the past, but is now in the care of a trust established by the Barbados Parliament and run in co-operation with the University of the West Indies as a theological college, with a potential for an expanded role as a centre of study, reflection and research for a wider range of students. It offers the most superb surroundings in the Caribbean for a kind of contemplative All Souls – which would be in keeping with Codrington's gift.

There is now a powerful Codrington College restoration appeal committee and a UK appeal under the patronage of the Archbishop of Canterbury. Barbadian$ 1m are needed by the end of 1988 to ensure the restoration of the fabric of this remarkable place. The appeal is already making headway but a great deal of support is needed. The objects are worthwhile both on architectural grounds – the preservation of a superb example of Caribbean classicism – and to provided a base for continuing the educational and social ideals of its founder.

It is important for the future that islands like Barbados should be the home for more than tourism. Christopher Codrington was an idealist, and his supporters today deserve every encouragement.

Codrington College Restoration Appeal, West India Committee, 48 Albemarle St, W1.

Codrington College, Barbados, needs help quickly

Iolanta/Aldeburgh Festival

Andrew Clements

Even the best organised and executed of festivals should be allowed one miscalculation. This year's Aldeburgh Festival is well filled with imaginative and tempting programmes; every day seems to offer at least one novel or revealing juxtaposition. Even the choice of opera for production by students at the Britten-Pears School was intriguing: Chaikovsky's *Iolanta* remains rare enough in the opera house to justify amply its inclusion in a festival such as this.

It was less festive, though, to entrust its production to Galina Vishnevskaya. Formidable dramatic sopranos do not automatically become accomplished perceptive stage directors, and the version of *Iolanta* that Vishnevskaya has perpetrated here, with a young cast, is the kind of museum piece that belongs in the bad old days of opera production, when all that was required of a singer on stage was to stand and deliver in as unnatural a pose as could possibly be contrived. In front of David Tindle's luminously painted backdrop the singers have to move through a vocabulary of painfully circumscribed gestures; whatever their talents as singer-actors might be, their individuality is consistently subjugated to this suffocating banality, which cannot see further than the end of the next aria or imply any emotion that is not scored in the most unambiguous way.

The dramatic disaster is made the more painful because, despite the immense handicap, Chaikovsky's one-act fairy-tale work, originally intended as a companion piece to *The Nutcracker*, emerges cogently and memorably. Its deceptively simple storyline – that of an innocent, blind princess, who is brought into the real world and has her sight restored through the love of a young knight – opens up creative veins in the composer that seem quite unexpected. Alongside the familiar lyrical impulsion there is a tinge of orientalism (perhaps inherited from Weber) to colour in the character of the Moorish doctor who effects the cure, and a palpable undertow of Wagner, especially in the music of Iolanta herself. *Parsifal* seems the source, and perhaps despite their difference in scale and intensity, the two works share a common theme – while *Chaikovsky's main character has* to be saved from physical blindness, Parsifal is the victim of spiritual blindness and his self-discovery of that saves others.

That so much of this fascinating mixture is projected in the Snape Maltings against such overwhelming odds is a tribute both to the score itself – how good it would be to see the opera done by ENO – and to the forcefulness of Steuart Bedford's conducting, impassioned and direct, and the alert playing of the Britten-Pears Orchestra. The two performances (the second is tomorrow) have different casts – in the first only John Hancock's Moor, Ibn-Hakia, emerged with a convincing independence and a grasp of what opera performance ought to be about. Much of the opera's emotional power derives from the effectiveness of its central character, and her ability to focus concern on her predicament. In these circumstances it would be wrong to castigate Colleen Gaetano's performance as Iolanta, though her vocal clarity in the English text was uncertain and some of her enunciation curiously mannered.

Strange vowel sounds afflicted other singers too, suggesting a corporate malaise that may have been a production characteristic, too – Michael Druett's René, King of Provence and Iolanta's father, could well have prospered in another context; so could John Davies's Duke of Burgundy. The chorus seemed to contain some fresh untainted voices not over-coached for the production. But subjecting any young singers to such an artistically arid experience as this seems an unnecessary cruelty.

The Wars of the Roses / Theatre Royal, York

Michael Coveney

For the sake of balance, perhaps the English Shakespeare Company should have shuttled between York and Lancaster this weekend. Instead, we happy few hundred York Festival theatre-goers encamped in the Theatre Royal for the first complete history play cycle to be given in Britain over one weekend since the John Barton and Peter Hall RSC version in the early 1960s.

As on that occasion, the three parts of *Henry VI* have been condensed into two plays, and rounded off with *Richard III*. They must wait for a second despatch tomorrow. On Saturday, we followed Michael Pennington's acidly calculating Prince Hal through the Eastcheap, Gadshill and battle scenes of the *Henry IV* plays to the foreign quarrels at Harfleur (uncannily evocative of Richard Eyre's studio-based filming of the Tumbledown battle on the Falklands) and Agincourt in *Henry V*.

This trilogy remains the abrasive, vigorous occasion of last year's debut season at the Old Vic. It was prefaced on Friday night by the new *Richard II*. Pennington applies the same pained, sardonic delivery to Richard as to Hal, seeing in him less of a martyr than a victim. Director Michael Bogdanov's way with costume and design is ever emblematic and anachronistic. Richard's medieval court is a louche Georgian salon hosted by a careless Beau Brummel.

Thus the rise of John Castle's grim, frock-coated Bolingbroke marks clearly the advent of modern political reality, whatever John of Gaunt may feel about a country now leased out, bound in with shame. Humour and justice are hard to find, and even gardening ("Go, bind thou up young dangling apricocks") is a matter of cuts and discipline rather than nurturing.

These tensions are gloriously developed, of course, in *Henry IV*, which Bogdanov presents uncompromisingly as a vital, coarse-grained national pageant. June Watson's heart-warming Mistress Quickly is the Cynthia Payne of Eastcheap. Poins and Peto, the former particularly well played by Charles Dale as a restless opportunist, are totemic hangers-on.

Chris Dyer's design of grey steel towers, a traverse gantry and functional trucks is a strictly non-decorative framework. The clash of steel and smell of leather I still carry with me from the Hall/Barton sequence. Their barbaric throne of state is succeeded here by a large black council chamber table. Their view of the plays as a Brechtian power game is replaced by a sense of a nation both on the make and in decline.

By the time Henry V sets sail for France, the cancer has taken hold and Bogdanov responds by what remains his quintessential master stroke. The embarkation is a shuddering prophecy of last week's football hooliganism, raucous choruses of "Ere we go" melding with "Jerusalem." The French court awaits the crude invasion with contemptuous resignation: "Thus come the English with full power upon us." No European bans in those days.

Pennington cuts a dashing, technically confident but finally monotonous swathe through the plays, pulling his face into a fixed mask of jaundiced, squinting nastiness. The clearest statement of this Hal is that people do change, and always for the worse.

Barry Stanton has replaced John Woodvine as Falstaff and softened the squirearchical exterior with a twinkling humanity. His antics are rewarded with a cushy number as the Chorus in *Henry V* and official recognition as the Duke of Burgundy.

Chris Hunter is the new Hotspur, splendidly cross and Northumbrian, a worthy replacement for the late John Price. Price's Pistol, a regular Hal's Angel, is less happily succeeded by John Castle's colourless Teddyboy, while the stark bald Andrew Jarvis, soon to be Gloucester, repeats his ferocious pairing of Douglas the brave and the horse-worshipping Dauphin.

Thaïs/Opéra-Comique, Paris

Ronald Crichton

Once one of Massenet's most popular works, Thaïs no longer appears with the old regularity. The demands of the title role are physical as well as vocal. The libretto, based without much finesse on Anatole France's story of the same name, about the Theban Cenobite monk who sets out to convert the dazzling, pleasure-loving, Alexandrian courtesan-actress *Thaïs*, and in the process falls violently in love with her, no longer shocks; neither does the gradual reversion of the roles of saint and sinner.

Writing after an enjoyable student performance of the opera at RNCM Manchester some years ago, I suggested that the score had worn less well than the story. This new staging, shared by Paris Opéra-Comique with Nancy, with Nicolas Joël producing in sets and costumes by Hubert Monloup, does something to redress the balance. Adequately cast, *Thaïs* has little to fear. How deft is the writing, the interplay of voices and instruments, like Rakhmaninov in his works for piano and orchestra at once sable-soft and natural.

A tendency to over-sweetness is checked by outbursts of remarkable violence, an aspect of the score given free rein by the conductor Lawrence Foster. From the middle of the front row, where the management place their visitors, the effect was sometimes heavy, but Foster firmly imposed and justified a serious view of the work. Typical was the first violin's playing of the once-scorned *Méditation*, strong, simple and elegant.

Seriousness was in the air. Efforts to avoid the shoddiness lurking round every corner (in Alexandria if not in the Theban desert) were only too successful. Monloup's architectural sets, using the whole height of the proscenium opening, sedulously avoided suggestions of Levantine garishness. The ballet was left out (no room, anyway) and with it the dance-song in which a character called "La charmeuse" releases flights of coloratura. The visions of *Thaïs* which three times torment the monk Athanaël's slumbers are not seen by us.

Rich young Nicias is evidently as fond of his library as of his girls. There was plenty of marble, clean looking but austerely dove-grey. *Thaïs*, written for the big Opéra, needs a larger stage. Recently the Opéra mounted Massenet's *Don Quichotte*, an Opéra-Comique work if there was ever one. The ways of Parisian opera-planners defy sense.

The cast was dominated by the baritone Alan Fondary as the misguided monk Athanaël. Mr Fondary's magnificent voice has come into its full and splendid estate. Some of the classical purity is missing now but his acting has more variety and vigour. Catherine Malfitano's Thaïs looks and sounds as though planned for a larger theatre. The characterisation is drawn – and sung – in broad strokes. Thaïs confides in her mirror as if she might at any moment break into Brünnhilde's war-cries. In a big house one wouldn't, I'm sure, have this impression, though one might still regret a too forceful attack on some high notes.

The patrician Nicias (a former student-companion of Athanaël, which lends salt to the story) was agreeably sung by Gérard Garino. A little more flashiness would not have come amiss. Nicias's friends Crobyle and Myrtale were charmingly taken by Danielle Streiff and Martine Mahé, who polish up the operatic convention of two soubrettes. The old Cenobite, Palemon, was safe with Fernand Dumont.

Rumours of the closure of the Opéra-Comique or Salle Favart (the alternative title has not quite succeeded in imposing itself) when the time comes for the opening of the new opera house at the Bastille prove unfounded. Next year the building will become independent, with its own budget and its own director, Thierry Fouquet, who has had several years experience at the two opera houses and is at present working with Jean-Louis Martinoty at the Opéra. There will be a double function. An opera school which will give two annual productions and a regular series of guest seasons.

Pierrot Lunaire/Sadler's Wells

Clement Crisp

Both works in the Rambert Dance Company's third programme take their inspiration from the *commedia dell'arte*, though their use of its themes and manner are very different. Glen Tetley's *Pierrot Lunaire* adopts characters and then naturalises them into modern dance figures.

Richard Alston's *Pulcinella* edits Massine's original libretto for the Diaghilev Ballet as basis for not especially convincing classical steppings that are garnished with mime.

Where, with Tetley, I felt on Thursday that the extension of the idea had produced a genuinely theatrical result, Alston's bright little scenes had an oddly remote effect, as if they were seen behind glass.

It must be said that Tetley's highly concentrated piece – just three characters and Ter Arutunian's skeletal tower as setting – received no less concentrated interpretations. Contrasted with memories of Christopher Bruce's stripped-to-the-bones-of-feeling portrayal, Mark Baldwin's Pierrot might seem somewhat florid in gesture, but his is an analytically exact and completely communicated reading. Every moment is clear, purposeful, intensely felt.

The journey from puppyish innocence and ill-comprehended yearning, to the compassionate stature of this Pierrot as he clasps his tormentors to him at the work's end, is shown with unerring sensibility and dramatic finesse.

It is a performance beautifully considered and sustained. No less good the Columbine of Elizabeth Old, ever on the emotional qui-vive, just vicious enough to torment and wound Pierrot without seeming exaggerated.

Paul Old is a fine Brighella, epitomising what Edith Sitwell called "swaggart bragadoccio," and darkly the opportunist who must educate Pierrot. With performances of this calibre, the stature of *Pierrot* is never in doubt.

Pulcinella, for all the colourful exhilaration of its Howard Hodkin sets and the boundless energies of Stravinsky's score, seems to me somehow unreal. Its cast, well led by Christopher Carney and Amanda Britton as Pulcinella and Pimpinella, proffer classical politenesses with their feet and not very idiomatic gesturings with their hands, but Italianate ardour is not there to give zest to the action.

Technical *sang froid* is no substitute for southern temperament, and no self-respecting Neapolitan girl would surely be seen in the dim frocks on view here.

Sarah Walker/Wigmore Hall

David Murray

With her trusted partner Roger Vignoles, Miss Walker has devised a "cabaret" recital, which they performed here on Friday with evident enjoyment. No doubt it will do the late-night rounds at the better class of provincial festivals; I still think it's a rum go.

If "cabaret" was ever a real genre, it was scaled-down "variety" for small venues and special audiences, with concomitant extra scope for clever words in the songs. In current Festival-speak, however, it often means the Walker-Vignoles kind of event: established classical singers are going to climb over the fence and tackle some "good" pop music, revue and show numbers, usually laced with Kurt Weill and/or (as here) some of Schoenberg's Brettl-Lieder to show that the *different* musical worlds really do overlap (possibly with Simon Rattle in a funny hat).

Well, of course they do; but it is classically naïve to suppose that the pop-commercial world is all one – that Central Casting would send the same performer to belt out Broadway numbers *and* patter through witty turns *and* snuggle up to a smoky cocktaillounge lyric, least of all in quick succession. An obviously classically-trained voice is liable *to* flatten out the differences, to sound as if it were slumming, juicelessly genteel – at worst, *to remind us how* much better a specialised pro can put the stuff across.

> A fine torchy howl helped this rum recital, which should do well at the better class of provincial festivals

Miss Walker was more successful than that, with the disarming asset of her bubbly stage *persona* (resplendent here in three different gowns), half mischievous prefect and half jolly aunt. If Gershwin's "The Man I Love" at the start betrayed unsuitable cut-glass vocal technique in too many phrases, there was a fine, *torchy howl in "Boy, what love* has done to me" at the end. She was in her element with Betjeman as set by Madeleine Dring, and with Jeremy Nicholas (a neat squib about dinner-guest placement); and singing "There are Fairies at the Bottom of Our Garden" may still seem wickedly funny in Bath or Cheltenham. Her Schoenberg numbers – real cabaret-songs of their period – were disappointingly literal and brittle: Schoenberg would have expected smoochier treatment, such as can make (but didn't) the woozily *chromatic* refrain *of* the "Mädchen" song as haunting and troublesome as a loose tooth.

London Symphony/Festival Hall

Richard Fairman

For the closing concert in the South Bank's End Games festival we had the ultimate work of valediction: Mahler's *Das Lied von der Erde, in which late romantic* thoughts of man's leave-taking of this earth and the eternal beauty of the natural world he is forced to relinquish achieve their most eloquent expression.

It is a piece that demands its performers reach for their most dedicated level of work, and that was evident in Saturday's performance by the London Symphony Orchestra under Colin Davis, at least according to its own lights. For this was no misty-eyed view of the music, but an urgent and concentrated reading, whose feeling of underlying tensions recalled Mahler's own despairing comment: "I am more avid for life than ever."

A sense of the active and positive pervaded each song. The speeds *may not* have been *fast*, but they were always tautly controlled; and orchestral details continually pressed their way into the foreground. It was perhaps fitting for this kind of performance that the LSO should have been on their most characteristic form, sharp in attack, hard and brassy in sound, aggressively forward in balance, unfair though that was on the singers.

The poor tenor, Kenneth Riegel, was often drowned, though it is true nothing but a dream voice will ever be good enough in this music (Riegel, when audible, sounded a Mime, when he should be a glamorous, heroic Siegfried). In the songs for low voice Marjana Lipovsek had an easier time of it, apart from problems of intonation in the contrary motion scales of "Der Einsame in Herbst," and her warm, expressive singing brought a human face to what might otherwise have been a rather unlovable performance.

The concert had opened with the Clarinet Concerto of Mozart, played by Andrew Marriner, the orchestra's principal clarinet: a mostly strong and lively account, notable for the reprise of the slow movement, which was played so quietly as to become a mere whisper of sound. This is an End *Game of a quite different order,* but its inclusion was no less valuable for that.

Arts Guide

June 17-23

MUSIC

LONDON

Camden Choir and London Bach Orchestra conducted by Julian Williamson with Gillian Fisher, Mark Tucker and Michael George. The Creation. Barbican Hall (Mon). (638 8891).

English Chamber Orchestra conducted by Murray Perahia, with Radu Lupu, piano. Mozart. Barbican Hall (Tue).

Royal Philharmonic Orchestra conducted by André Previn, piano. Brahms, Mozart and Dvorak. Royal Festival Hall (Wed). (928 3191).

PARIS

Orchestre Français D'Oratorio, conducted by Jean-Pierre Loré. Elisabeth Brausser choir. Verdi – Messa da Requiem (Mon), Saint-Roch Church (42.61.83.26).

Orchestre National de France, conducted by Rudolf Barshai, Bruno-Leonardo Gelber, piano. Beethoven (Tue), Theatre des Champs Elysées (47.20.36.37).

Orchestre de Paris, conducted by Pascal Verrot, Maria Joao Pires, piano. Berlioz, Chopin, Landowski, Strauss (Wed, Thur) Salle Pleyel (45.63.07.96).

Nouvel Orchestre Philharmonique, conducted by Janowski with Radio France Choir. Strauss, concert version of Arabella (Tue, Thur) TMP-Chatelet (42.33.44.44).

BERLIN

Berlin Philharmonie, The Berlin Philharmonic Orchestra, conducted by Seiji Ozawa. Handel, Wagner and Bruckner. (Tue, Wed).

ITALY

Venice, Teatro la Fenice. Peter Maag conducts Ravel and Berlioz with soprano Katia Ricciarelli (Thur). (5210161).

Florence, Teatro Comunale. Vladimir Ashkenazy playing Schumann and Chopin (Wed). (2779236).

NEW YORK

Orford String Quartet, William Schuman (world première), Murray Schafer (Tue). Kaufmann Hall (996 1100).

Sarah Voynow, harp recital, Debussy, De Falla and English folk songs of the 15th century (Wed,12.30, free). Juilliard Concerts at the IBM Garden Plaza, 56th & Madison.

Oberlin Contemporary Ensemble, Gregory Fulkerson, violin, Peter Takacs, piano, Edward Miller, Michael Daugherty, Nicholas CK Thorne, Berio (Wed). Merkin Hall (362 8719).

New York Chamber Symphony, Andrzej Panufnik conducting. All-Panufnik programme (Thur). Kaufmann Hall (996 1100).

CHICAGO

Chicago Symphony, Leonard Bernstein conducting Shostakovich (Tue, Wed). Orchestra Hall (435 8122).

Saleroom/Antony Thorncroft

When stars become sellers

Pop stars and film stars have long been good customers of the salerooms. One recent week saw Joan Collins, Mick Jagger and Bob Geldof browsing around Sotheby's, and Elton John hopes to raise a quick £3m in September by selling off some of his collection at Sotheby's.

Tomorrow the French actor Alain Delon, another frequent buyer at auction, will appear as a seller: Sotheby's is offering for him a dramatic oil by Eugene Delacroix, *An Arab horseman at the gallop*, in its sale of 19th century European paintings, and expects to raise at least £500,000 from it. Delon bought the work in the same rooms for £49,000 in 1971.

Demand for the paintings of Alma-Tadema is becalmed at the moment – not as quiescent as it was in the early 1950s, when works by this Victorian master of the classical pose could be bought for under £100. But his prices have not returned to the six-figure peaks of the early 1980s.

Four paintings are on offer in this sale, with a top price of up to £90,000 anticipated for a Roman scene depicting an artist gazing at a small fresco. The artist is a self portrait of Alma Tadema, who often wished he could transform himself back to classical times. For good measure he put his wife and father-in-law into the canvas, too.

Dante Gabriel Rossetti is represented by three lots, including a very attractive portrait of Mrs Charles Augustus Howell, the wife of Ruskin's secretary. It carries a £35,000 top forecast. There seems to be some caution in the estimates of all the Victorian paintings.

Reverting to show biz, Christie's East in New York tomorrow has a collectibles auction which includes the ruby slippers worn by Judy Garland in "The Wizard of Oz."

They should make $20,000. Miss Garland was obviously hard on her footwear: two other pairs of slippers from the same movie have already been sold at auction – for $13,200 and $15,000. All are genuine.

In the same sale 96 photographs taken of Marilyn Monroe in 1945 when she was just Norma Jean Dougherty will be offered, with copyrights, in lots ranging from two to nine images and with estimates rising to $5,000 for a lot.

Would you like a nude model of the Prince Regent in beeswax? It is not quite as horrific as it sounds because the outsized monarch was only a few days old when he was captured to the life by the artist Mr Joachim Smith on the orders of his doting mother, Queen Charlotte.

This curiosity, with the prince, minus one arm, lying on a contemporary late 18th century couch, appears at a Sotheby's silver sale today and is expected to sell for £3,500.

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Towards a better EMS

PROGRESS towards the goal of a unified Europe requires both valour and discretion. In endorsing the principle of the 1992 programme for the completion of the internal market, the Community has shown great valour. Equally valorous was the decision last week to remove controls on the free flow of capital. Should valour, or its better part, now be shown in the development of the European Monetary System?

The timetable agreed requires all member states to lift curbs on capital flows by July 1, 1990, except for the poorest countries, which can delay action until 1992 (and in the case of Greece and Portugal possibly until 1995). For Italy, with its runaway public debt, and France, with its deeply-entrenched *dirigisme*, the change represents a leap in the dark. The case of France is perhaps the more remarkable, since its left-of-centre government has thus followed the antipodean road to socialism.

Critics have argued that fixed exchange rates within the EMS only survive because of exchange controls in the weaker-currency countries. Better, they argued, have capital market liberalisation, like the UK, than membership of the EMS, like France. Now the objection is turned on its head. Can the EMS survive as a system of fixed, but adjustable, exchange rates in the absence of exchange controls?

Highly disturbing

The danger for the EMS is that interest rate instability will increase. If, for example, a substantial devaluation of the French franc was thought inevitable, short term rates of interest would rise to still higher levels than before liberalisation, as domestic residents added their contribution to the outflow. Short term rates of interest would, over time, develop a sawtooth pattern that would prove highly disturbing to the smooth functioning of financial markets. Either the EMS as currently operated or freedom of capital movement would be in peril.

There are two alternative solutions. The way of the valiant would be towards irrevocably fixed rates of exchange, and, ultimately, a complete currency union. The way of discretion would be towards more exchange rate flexibility.

The argument for flexibility would start from the premise that convergence of inflation has been achieved. The aim should now be to permit exchange rate movements, so accommodating residual differences in inflation and bringing about changes in real exchange rates, when required. By moving the central rate frequently, in advance of large movements in the exchange rate itself, and perhaps broadening the bands as well, there would be no one-way bets for speculators and so no interest rate instability either.

Crawling peg

Whatever its mundane, practical merits, such a system (essentially a crawling peg) would be inconsistent with current soaring ambitions for European economic integration. What would happen under the alternative of irrevocably fixed exchange rates, leading ultimately to a currency union?

Within a currency union, the present member countries would be "regions" of an integrated European economy. Regions with overvalued real exchange rates would stagnate, as France has discovered to its cost in recent years. Worse, such regional stagnation would be more difficult to bear than within countries, because labour mobility within Europe would be lower than within individual countries.

A more active European regional policy would be part of the solution, but more would be required. There is a close relationship between successful progress towards currency union and the achievement of greater labour market flexibility. If adjustment of nominal exchange rates is ruled out, then relative movement in nominal unit labour costs is needed instead. Otherwise, disequilibria within Europe will cumulate, the symptom being progressive increases in unemployment in the uncompetitive regions. To choose such an outcome is no sign of valour, but of foolhardiness.

The goal of currency integration is one to stir the blood; while a step back to greater currency flexibility would look like a defeat (even if one that would remove Mrs Thatcher's latest excuses for not joining the exchange rate mechanism). Yet a leap in the dark can be the prelude to a fall into the abyss. Before progressing towards a still more rigid system than at present, the Community had better first make sure that the bridge of labour market flexibility is securely under its feet.

A spoke in the Rover wheel

THE TERMS under which British government assets are sold to the British private sector might be thought a matter of legitimate interest only to the British people. Yet a dispute between Brussels and London over the sale of Rover Group to British Aerospace has now reached a level which requires the personal intervention of the Prime Minister. Mr Peter Sutherland, the Commissioner in charge of competition policy, is reportedly arguing that the £800m cash injection which lubricates the sale is far too generous. The Commission is thought to be urging that the taxpayers' support should be cut back by £250 million or more, a move which if implemented could even result in British Aerospace dropping its takeover offer, and throw Rover's future in doubt yet again.

Yet Mr Sutherland has a clear right to query the terms of the deal. In the run up to 1992, the Commission is waging a war against barriers to competition of all descriptions. State aid for ailing companies is a particularly insidious form of protection and one that will have to be brought under closer control if a unified internal market is to become a reality. Moreover, Brussels is not picking on Britain. In the past year, it has stepped up such actions significantly, with France, Belgium and the Netherlands being among the most persistent offenders.

Sweetener

The British Government is doubtless claiming that the terms of the Rover deal are no more generous than necessary to secure the future of the company under new ownership. The business has a 20 year record of chronic losses. Rover could not be sold with a debt-laden balance sheet and no working capital, and so a sweetener of some kind was inevitable.

The British Government's willingness over the years to pour money into the companies which now make up Rover may well have had an adverse impact on the competitive position of viable motor manufacturers in the UK and elsewhere, by depriving them of sales which might otherwise have gone their way, and by its impact on selling prices. Yet this is water under the bridge. On this argument, moves to put a formerly bankrupt state company back on its feet as a properly financed private-sector business would not further impair competition in the European motor industry, and should be welcomed. Mr Sutherland should stop quibbling and accept that, if the deal is too generous, the losers are British taxpayers – not the European motor industry.

Broader lessons

The weakness in this argument is that Lord Young, the British Trade and Industry Secretary, did not seek competitive bids for Rover. He negotiated exclusively with British Aerospace and refused to acknowledge that others, such as Ford or a continental producer like Volkswagen, might have been prepared to accept a smaller subsidy. Thus, although the deal may not threaten competition in the ailing industry, it still could constitute unwarranted assistance for British Aerospace, which competes with European companies in a variety of other markets.

The issues will have to be decided by a combination of accounting and market judgements. Meanwhile, there are broader lessons to be learned. The most important is that, as the European goal of a unified market comes closer to realisation, purely domestic competition and industrial policies will become increasingly irrelevant. Earlier this year, the Trade and Industry Department published a merger policy paper that made no more than a token reference to Brussels.

National governments will have to take the European implications of their industrial decisions far more seriously, and recognise that Brussels has a legitimate interest in antitrust policy. In the case of Rover, it may be that the current dispute is little more than a necessary ritual which will lead to a mutually acceptable deal on something like the present terms. But if in the end Brussels is convinced that Rover is being refinanced in a way that will distort competition in Europe, it will be right to blow the whistle.

Gorbachev's search for the rule of law

A.H. Hermann considers Moscow's plans to revolutionise the legal and judicial system in the Soviet Union

ONE OF THE most important "theses" to be discussed at the epoch-making All Union Party Conference convened by Mr Mikhail Gorbachev for June 28 – and certainly one crucial to his success – calls for "completing the development of communist legality". In plain English, this is a call to perfect the rule of law in the Soviet Union. In Moscow it provoked bitter comment from Soviet lawyers along the lines of: "You cannot 'complete' or 'perfect' a work that was never even begun".

The Party Conference will see a contest between those who wish things to remain as they are and those who argue that the Party must concede some of its power to the rule of law. Those for change say the Party has to do so if it is not to lose all its power in the decay resulting from the social and economic stagnation for which the Brezhnev period is now being blamed.

The parallel with the French revolution is almost irresistible. The storming of the Bastille on July 14 1789, was triggered off by the *lettres de cachet*, the secret arrest warrants by which the despotic regime confined political opponents to prison. Concern over people still confined to prison camps and penal colonies is becoming the leading issue of the present Soviet de-Stalinisation campaign. In pre-revolutionary France, the State was identified with its ruler and his word was the law. *"L'etat c'est moi!"* said Louis XIV and Stalin adorned his courts with posters and banners proclaiming: "Law is what is good for the Party!"

But will the parallel continue? Among the beneficial effects of the French Revolution, which have survived to this day, were the codification of civil and criminal law, the equality of citizens before the law and the independence of the judges. Radical legal reform was necessary to enable the rising bourgeoisie to replace the feudal command economy with a pluralistic, creative market economy. Compared with this, the terror, and the conquest of Europe, proved to be only transient accidents of history. The enlightened monarchs of central Europe achieved as much and more by peaceful means.

Mr Gorbachev is evidently embarking on a radical legal reform – a revolution in fact – intent on achieving his objective without using Stalin's terror against the surviving Stalinists.

His main declared objective in the present phase of the reconstruction is to replace the arbitrary rule of Party officials and all sorts of local cabals with the rule of law. This has the support of the no-longer-so-silent majority, but one cannot expect immediate transformation of the Soviet empire into a model democracy: legislation may be enacted quickly but it will take decades to transform the mentality produced by centuries of despotic rule.

Most of the lawyers from the West who gathered in Moscow earlier this month and met Soviet lawyers at the International Bar Association seminar, took a much too narrow view of the human rights problem, concentrating their attention almost exclusively on the issue of Jewish emigration and noting that no fundamental improvements have taken place on this front.

Though particularly painful when viewed as a continuation of Nazi persecution, the odd and largely irrational Soviet emigration policy is only a minor symptom of the fundamental problem. If the rule of law existed in the Soviet Union the endemic anti-Semitism could not result in a degree of discrimination and oppression which makes people wish to leave their homeland. The same probably applies to the Armenians and the Volga Germans who emigrate in much greater numbers than the Jews. The reasons given for refusing exit visas are mostly preposterous. The real reason is fear of large scale emigration, not only of oppressed minorities but also of Russians.

Emigration can be seen as a safety valve sought by people who feel insecure because there is no recourse against administrative decisions, including imprisonment. The fact that verdicts and sentences are dictated to courts by local Party bosses is now publicly acknowledged and remedial measures are discussed with an intensity unheard off since 1917.

Mr Gorbachev will ask the Party Conference to recommend a separation of government functions:

● Instead of unanimously rubber–stamping bills introduced by its Presidium, the Supreme Soviet should become a real legislature.

● The Party should concentrate on long–term perspectives and guidance, and leave the day-to-day running of the country to the government.

● Party officials should be prohibited from interfering with the work of the courts on pain of being expelled from the party.

● Independence of the courts should be enhanced by giving judges secure tenure for life.

Stalin adorned his courts with posters and banners proclaiming: "Law is what is good for the Party!".

Enacting such new laws would be a great achievement; enforcing them an even greater task. The Soviet reformers may succeed in their desire for a Habeas Corpus Act, but the Soviet legal scene is likely to remain dominated for some time by the ubiquitous *troika*, consisting of the local or district party secretary, the KGB chief and the prosecutor, forming the nucleus of the local power network. *Perestroika* cannot win unless absolute power is wrenched out of their hands.

This is not to suggest that nothing can be done without such a decisive victory. The number of criminal prosecutions has already been reduced by some 30 per cent and the length of prison sentences has been shortened. There is new emphasis on crime prevention, of which the drive against alcoholism is part. As a result, Moscow advocates have to look increasingly for civil cases to make a living.

Human rights and criminal law are only one side of the coin. Its other side are legal reforms necessary to enable a transition from a command economy to what is now termed in the Soviet Union a management economy. Here, too, legislation will be easier than a change in the practice.

The civil codes of the Soviet republics have been rewritten twice in the past to eradicate all provisions for private enterprise: now there is a need for a new enterprise law. A beginning has been made by authorising private enterprise where only members of the family are employed. Co-operatives were given greater scope and freedom of price formation, though they will still be largely dependent on supplies of materials from state enterprises.

The next item on the agenda is corporation law. The last vestiges of company law which provided for joint stock companies were abolished in 1962. The relations between business partners and the claims of their creditors are in a legal limbo. Absurdly, Soviet co-operatives and any individual enterprise now started will be far freer from regulation and mandatory constraints of the law than similar enterprises in the west.

Soviet lawyers realise that a revival of enterprise will require protection of intellectual property, fair trading rules, restrictive practices legislation, consumer protection and product liability. Even antitrust law is now contemplated as a means of containing multinationals on the model of the EC's competition department.

There will be ideological obstacles to overcome. Soviet law does not recognise private ownership of the means of production. The civil codes protect the property of state enterprises against all infringement and the property of co-operatives against all except the state. Some new form of circumlocution will be necessary to accommodate the requirements of the new-style management economy. This can hardly do without some form of ownership of its assets and the possibility of offering these as security to creditors.

A western business lawyer will immediately see the enormous task facing Soviet reformers called upon to develop the law of contract, of civil wrongs and of insolvency. Disputes between state enterprises can now be taken to the State Arbitration Commission and civil courts deal with insignificant claims of individual citizens against each other or against a state enterprise or co-operative. But the new management economy will require new institutions for the settlement of disputes.

The legal problems generated by the desire to integrate the Soviet economy into the world economy and to replace the present export/import system by more intensive forms of technological and business co-operation with western firms are of particular complexity.

On the macro-economic level the task is relatively simple. Soviet reformers envisage accession to the General Agreement on Tariffs and Trade and compliance with its rules; a link between Comecon and the European Communities – a diplomatic act towards this end was initialled on May 9, 1988 – and reliance on the various international business law conventions. Some enthuse even about *Lex Mercatoria*, the body of customary rule derived from the practice of international trade, pioneered by some European lawyers but rejected by most British.

A workable legal system for the micro-economic sphere of foreign trade will be more difficult to achieve. The monopoly of foreign trade, until recently vested in the 25 trading organisations of the Ministry of Foreign Trade, has already been breached by extending the right to trade overseas to certain industrial state enterprises. Some three weeks ago, this access to foreign trade and foreign currency operations, including joint ventures, was extended to co-operatives.

Some 50 joint ventures between western and Soviet enterprises are already agreed and another 100 are being considered under a law passed last year. One major obstacle – the impossibility of transferring profits out of the Soviet Union except by means of hard currency proceeds generated by the venture – has been overcome recently by seven US firms who pooled the hard currency proceeds of their joint ventures. (The problems of detail which remain unsolved are too many to list within the space of this article.)

There are, however, some major problems on which the practical application of the new Soviet business law in the field of foreign economic relations will largely depend. The first of these is presented by the general rule that foreign law may be applied by Soviet courts and arbitrators only in so far as it does not contradict fundamental principles of Soviet law. As disputes over joint ventures and other forms of co-operation may lead to arbitration in the Soviet Union, there will be a need for a better definition of the applicable law.

The second problem is of a practical nature: however limiting the monopoly of foreign trade was in its effect, at least one could rely on the expertise of the 25 state trading organisations and of their employees. The new Soviet entrants to foreign trade will need a long learning period.

The third problem is the lack of any provisions in Soviet law for floating, or other charges on the property and business of debtors, and of any insolvency rules for the protection of creditors. Soviet lawyers seem to think that this is a non-problem, or one which the foreign creditor can solve by taking out insurance in the west. They do not seem to realise that the cost of it may greatly reduce the competitiveness of the joint venture or the price of the western supplies.

Finally, there is the disparity between Soviet domestic prices and world market prices, a disparity which differs from one commodity or product to another. The Soviet state trading organisations can overcome this by debiting their losses to the state budget, although they are required to apply to the rate of exchange different coefficients, according to the category of goods imported or exported. If a great number of other state enterprises and co-operatives is to be allowed to trade abroad, these secret exchange rate coefficients would have to be transformed into a publicly-operated multiple rate of exchange, on the model of that which Germany operated in the 1930s, possibly combined with auctions of foreign exchange required by the private and co-operative sector.

The real solution, however, not only to the foreign trade problems but also to the greater problems of integrating the Soviet economy with the world economy, can be achieved only by a convertible rouble. A gradual transition to this may take 20 years. That is probably also the time-scale within which the other aspects of the reform, courageously attempted by Mr Gorbachev and his associates, ought to be judged.

OBSERVER

A touch of Touche Ross

■ Martin Scicluna takes over as chairman of the London Society of Chartered Accountants today in the hope that he can help to restore unity in the profession.

Scicluna, born in Malta, is a high-flyer by any standards. Now 37, he graduated from Leeds University in 1973, joined Touche Ross and was a partner by 1982.

Scicluna has been associated with the London Society for a decade. In accountants' fashion, he says that that means giving it 500-600 hours' work a year. The office of chairman is held only for 12 months.

During his stewardship Scicluna wants to bring the profession together: the big eight and the smaller practitioners, the English, the Welsh and the Scots and, not least, those accountants who work directly in industry.

One of the major problems, he says, is that the profession was always self-regulating, though the degree to which it was practised was hardly excessive. Successive legislation, however, has led to greater outside pressure. That includes the Insolvency Act and the Financial Services Act. "The biggest battle now," he argues, "is to ensure that we are properly self-regulating."

The profession has changed over the years, he says. "We are no longer grey dull men counting numbers, but are much more active in companies' affairs." According to Scicluna, around 10 per cent of all graduates from English universities now go into accountancy.

The London Society has about 20,000 members, about one quarter of the national membership. Each new chairman nominates a charity. Scicluna is seeking to raise £100,000 for the Great Ormond Street Hospital, a bigger sum than usual. He is also initiating an accountants' ball.

By coincidence, of course, Scicluna went to the same school – Berkhamsted – as two of the country's most famous accountants: Sir Kenneth Cork of Cork Gully and Professor Bryan Carsberg who now runs Oftel, the regulatory body for the telecommunications industry.

Equal shares

■ Lord King's letter inviting shareholders to the annual general meeting of British Airways at the Royal Albert Hall on July 6 says that those planning to attend should arrive not later than 11am to allow time for seating. The formal meeting starts at noon.

Some readers are asking whether first class shareholders are allowed to check in later by a different entrance.

Elliott's new role

■ Mark Elliott, who took up his post yesterday as British Ambassador to Tel Aviv, has a background in The Falls and Shankhill Roads of Belfast. He was recently an Assistant Under-Secretary in the Northern Ireland Office, though he is a Japan expert.

Elliott replaces Bill Squire, an Oxford man who has retired to raise funds for Cambridge University.

Ambassadors to Tel Aviv are not meant to stray across the invisible "green line" separating Israel proper from the Palestinian territories captured in 1967. A newcomer can be forgiven, however, for not instantly spotting the difference between an Israeli kibbutz and an Arab village. He also has to learn that trouble between religious and secular Jews can be has marked as that between Jews and Arabs.

The new Ambassador's intellectual reputation (a King's Scholar at Eton before winning a scholarship to New College, Oxford) has prompted mutterings among Western colleagues, on the lines of: "He's young (49) and frightfully bright, you know."

The Irish experience should come in handy.

"... And Sammy the Summit said everything in the garden's lovely."

Frame in the picture

■ William Lee, the 16th century Nottingham curate, has had an indifferent press over the years. He could never really find the backers for the stocking frame he invented in 1589. He twice sought Royal patronage, first from Queen Elizabeth I and then from the French King, Henry IV of Navarre, but no-one wanted to know.

The problem was that the stocking frame put hand-knitters out of business and at a time when restrictive practices had the upper hand Lee was left to die in poverty. His invention finally came into its own during the Industrial Revolution when Kay's Flying Shuttle, Hargreaves's Spinning Jenny and Cartwright's loom grabbed the headlines.

In our schoolbook list of inventions which kicks off with the brick (4,000-3,000 BC), followed by the wheel (c.3,000 BC), Lee's stocking frame is the 14th earliest, just beating microscopes, thermometers, telescopes and logarithms.

Next year is the 400th anniversary of his invention, which has not escaped the textile industry. A William Lee Committee, set up to organise celebrations, has succeeded where Lee failed and gained the patronage of the Princess Royal who, as her portrait in the summer exhibition at the Royal Academy reminded us, is also the president of the British Knitting and Clothing Export Council.

Committee secretary and senior lecturer in textile technology at Trent Polytechnic, David Elson, calls Lee "the father of industrial manufacturing". He said: "There is only William Caxton to pre-date him and a printing press is small beer in comparison to a stocking frame."

Rich enough

■ The striking thing about attitudes to the north-south divide is that communities in respective regions confess to a sympathy for the unfortunates living in the other.

Southerners pity the poor northerners with all their unemployment and northerners feel sorry for the poor southerners who earn so much but cannot afford to save.

Northerners do not appreciate this popular new word in the south, "loadsamoney", the catchphrase of a TV comedian.

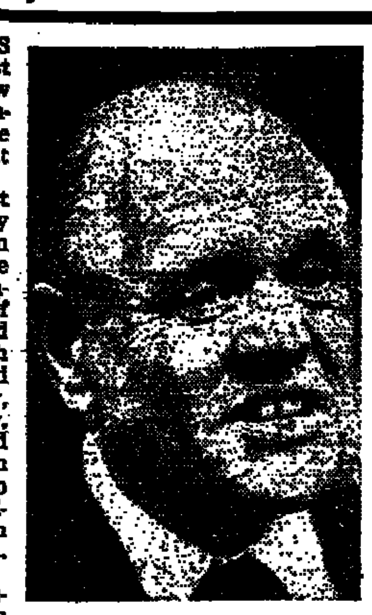
While they value the material things of life, money itself is not seen as something to boast about. Instead they have a few words to throw at the south, like "loadsaspace" and "loadsafreetime". The northern translation for "loadsamoney" is "loadsamortgage" because that is what it means to go south. So most of them stay quite contented in the north where they still have plenty of green stuff. They call it grass.

Clean away

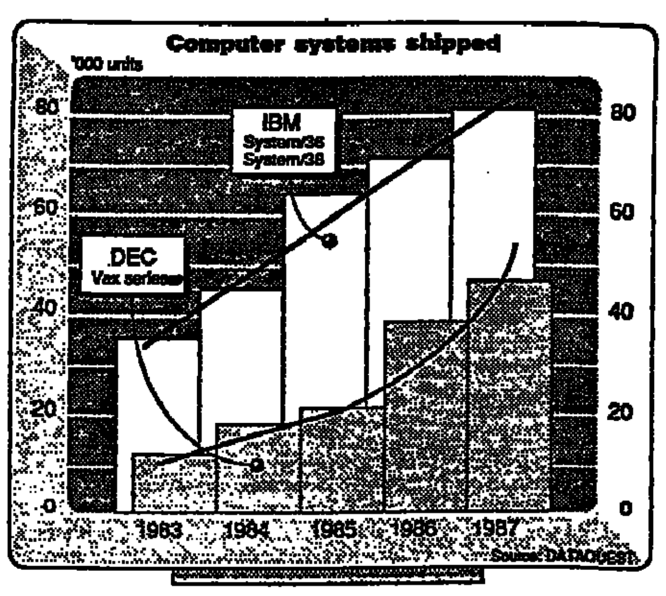
■ A cabbie writing in Taxi, the trade magazine, said he noticed a dirty-looking hitch-hiker standing on the approach to the M4. The scruffy youth held a sign in his hand which simply said: "Bath, please".

IBM goes into battle to regain the middle ground

Alan Cane and Louise Kehoe on a watershed in the computer industry



Kenneth Olsen, DEC Chairman



John Akers, IBM Chairman

INTERNATIONAL BUSINESS Machines, the world's largest computer maker, will tomorrow announce a new mid-sized computer family which could be the company's most important launch in a decade.

Indeed, it may well be the most significant new range from any manufacturer since 1964, when IBM set the pattern for the future development of the entire computer business with the launch of a family of mainframes called System/360, the design of which rapidly became an unchallenged industry standard. Tomorrow, IBM will try to repeat history, this time with a medium-sized range of computers it has been developing over the past two years under the code name "Silverlake", a reference to a park in the city of Rochester, Minnesota, where it was designed.

IBM is the dominant manufacturer in the computer business but that dominance, virtually unparalleled by any company in any industry, is today seriously threatened by competitors in each of IBM's principal product areas, mainframe, mid-range and personal computers. To meet that threat, and to respond to a slide in profits which started in 1985 and is only now showing signs of reversal, the company is in the throes of massive organisational change. Some 21,000 of its staff have been transferred from administrative duties to line positions (typically sales jobs) in the past two years, and its workforce has been slimmed down by 16,000 to 385,000.

Silverlake is part of this process of competitive response. It is intended as a devastating salvo to open IBM's counter-attack in the important market for mid-range machines. Its development and launch must be the worst kept secret in the recent history of the computer industry. IBM is notoriously economical with information about its upcoming product launches, but, for Silverlake, a string of leaks and on- and off-the-record briefings has ensured that there is little except fine detail about the machines that is not already known.

The reason? The most plausible explanation is that IBM has been quietly reassuring the market-place and its own customers that it has been addressing itself seriously to criticisms of its mid-range strategy and, indeed, the suitability of its present range of computers for today's data processing requirements.

It is, without question, the most successful manufacturer of small to medium-sized computers with some 275,000 machines installed worldwide. But its present offerings, called System/36 and System/38, are long in the tooth and are now too limited for many customers.

Users of the System/36 – IBM's best selling small computer with some 200,000 installed – complain that the machine is no longer powerful enough, that it has too little semiconductor memory and that there are limitations on the amount of magnetic disk storage. They have been looking for something better for a long time and making their frustration known with their cheque books.

IBM's share of the mid-range market has, in consequence, been slipping. Its share of worldwide mid-range computer shipments by US-based companies fell from 27.2 per cent in 1984 to 23.6 per cent in 1987. Each percentage point represents nearly $300m in annual sales.

It has been losing sales principally to Digital Equipment Corporation (DEC) of the US. In the same period, DEC's share of mid-range shipments rose from 15.2 per cent to 18.9 per cent, according to International Data Corporation of Framingham, Massachusetts.

With Silverlake – the family will be known formally if less picturesquely as the AS/200 and AS/400 series – IBM is giving notice that it intends aggressively to regain and defend this middle ground.

Of course, to picture the mid-range battle as a two-horse race involving only IBM and DEC is an oversimplification. Other mainframe manufacturers like Unisys, NCR, Honeywell and ICL have legitimate claims on this market, as do minicomputer vendors like Hewlett Packard, Nixdorf and Wang and supermicrocomputer companies like Sun Microsystems and Apollo Computer.

But compared with IBM and DEC, their global influence is small, although some have established market niches either in particular geographic areas (Nixdorf in West Germany, for example) or industry sectors (NCR and Olivetti in financial services) or both (Wang, for instance, has a powerful presence in the UK legal business). Companies like Unisys are pinning their hopes on a worldwide move to common, or open, standards in the industry which, they believe, will improve their chances of competing with IBM.

Better performance in the mid-range sector is critically important to IBM. The market is growing at about 10 per cent a year worldwide, significantly faster than IBM's area of chief strength, mainframes, where growth is only 6 per cent. It should therefore be a potent source of revenue to a company like IBM which, until 1985 at least, had been accustomed to growing at 15 per cent or so a year.

It is also a significant market strategically, comprising first time users of computer systems, small businesses looking for systems that will keep pace with their growth, and large companies planning to decentralise their computer operations. According to IBM's own estimates, there are some 4-5m small companies around the world ready to take their first step into computing. In the US alone, 1m new companies start up each year needing computer hardware and software.

Mr Allan Baumgartner, an analyst with the marketing consultancy Dataquest says that Silverlake and competitive machines from other manufacturers are the first shots in a battle to develop a new "mid-frame" departmental computer market. He says: "This market is just beginning to emerge, with a few large corporations installing departmental machines of this kind. It is a market that will evolve over the next 10 to 15 years."

The significance of Silverlake, however, goes well beyond the "battle for the mid-range." It will be the the most convincing evidence yet of IBM's commitment to creating a line of computer systems – ranging in size from single user personal computers to mainframes able to service 3,000 terminals simultaneously – that will all run the same software, look the same to a user and interconnect easily with one another.

DEC's Vax computer range already features these attributes; industry observers see this as the principal reason for the company's recent success.

Why should IBM, with worldwide revenues in excess of $55bn and a research and development budget of about $5bn, find itself apparently out-paced and out-thought by smaller rivals?

IBM's problem stems, in part, from the fact that it has already fought and won this battle once. Now, however, it must do so all over again.

The System/360 announcement in 1964 was a revelation: a single range of computers running common software. At a stroke, IBM rationalised its costs of design, production, engineering, maintenance and programming.

Furthermore, when a customer outgrew one member of the range (and customers always outgrow their computer power) the next model up could be installed. And as each system used the same software, the change had minimal effect on the customer. Above all, it protected the user's investment in applications software – the software the customer used to run the business.

But by the end of the 1960s, IBM had already begun to diverge from the System/360 ideal, building special machines to suit special customer requirements. By 1988, it had no less than eight separate designs of computer in service, all incompatible with one another, ranging from personal computers, through mid range machines to the very largest mainframes.

Such a proliferation is a customer's nightmare. For example, a small business using a System/36 for accounting, payrolls and so on, will need greater computing power as it grows. Where does it go after it has exhausted the top end of the System/36 range? To the System/38? That would mean converting every piece of applications software – with the prospect of having to do it all again in a few years when the power of the System/38 was exhausted. To a mainframe? Again, a rewrite would be necessary, plus the establishment of a data processing department to support the new system.

Meanwhile DEC users move from one Vax to the next most powerful, taking their software with them.

IBM has already made two moves to solve its mid-range problems. First, it launched a small "midframe" designed to bring the benefits of mainframe computing to the departmental level. Second, it announced a new Systems Application Architecture (SAA), a collection of software interfaces, conventions and protocols designed eventually to allow all the disparate IBM computer designs to present a common face to users.

Silverlake is intended to end the muddle in the mid-range and embody the spirit of SAA. Initially the range will comprise half a dozen machines capable of supporting from 10 to 500 users, bridging the gap between powerful personal computers and small mainframes. Within 12 months a new top-end machine is expected, capable of supporting 1,000 users.

Users of System/36 and System/38 will be able to run their software on the new machines. A substantial improvement in price/performance is expected over the existing midrange machines. While the design of Silverlake will be different either from IBM's mainframes or its personal computers, Systems Applications Architecture should, in time, ensure that IBM's customers see all its systems as a seamless whole.

A survey by PaineWebber, the New York stockbroker, suggests that there is considerable pent-up demand for Silverlake, and that IBM could take 20,000 orders for the new machine in the US on the first day alone.

Industry specialists who have examined Silverlake profess to be impressed; Silverlake is "a real Vaxkiller," they say, and DEC will have its work cut out to meet the challenge. DEC's response will be seen when it unveils its own latest contender in the mid-range stakes. In the long run, both companies run the risk of losing market share to the new breed of supermicrocomputers. In the medium term, however, the market is big enough, and growing fast enough, to allow IBM and DEC plenty of scope for their rivalry.

Lombard

Why nationality can matter

By Christopher Lorenz

THE NATIONALITY of companies is becoming increasingly irrelevant, according to Mr Kenneth Clarke, Britain's Industry Minister. To argue about the nationality of a company is "chauvinistic nonsense."

To investors and consumers, perhaps. But not necessarily to employees and society at large, and therefore not (one would hope) to governments.

Mr Clarke's dictum may have been laid down in the heat of a parliamentary debate about the British Government's refusal to refer the bid for the Rowntree confectionery group by Nestlé of Switzerland to the Monopolies and Mergers Commission. But it reflects a growing body of opinion in the Government.

This line is inconsistent with the recent official objections to an increased Kuwaiti stake in BP, and the Government's conveniently forgotten antipathy towards Ford's buying Austin Rover just two years ago. But it will presumably also be applied to the possible dismemberment by Swiss or American acquirers of Cadbury-Schweppes, and to the further foreign acquisitions of other famous brand-name companies which will probably follow.

The trouble with Mr Clarke's line is that it ignores one fundamental factor in multinational investment: the so-called "headquarters effect." Put simply, multinationals tend to locate the activities which create the greatest added value, and which give them the greatest competitive edge, as close as possible to their headquarters.

Such activities – notably research, design, development, product planning, leading-edge production and, of course, central decision-making of various kinds – require the greatest skill-intensity, and are the least prone to sudden cuts. They are therefore the most beneficial to local employees and to surrounding society, in terms of everything from retail spending power to the stimulation of higher education through the demand for graduate employees and research.

At the other extreme, "screwdriver plants" assembling foreign designs contribute little more than low-skill, low-paid jobs to the local economy, and have a tendency to disappear like lightning, as the unfortunate Scottish city of Dundee has found several times with the "offshore" plants of US-owned electronics companies. The use of local materials and components increases the longevity and social value of a plant, but by no means to the level of all the activities clustered around the parent company's head office back home in the States – or, more often these days, in Japan.

As top US multinationals have developed multiple corporate centres around the world, there has been much jockeying across Europe for the privilege of hosting their regional headquarters. Ford, IBM and Procter & Gamble have been astute enough to spread skill-intensive activities across several countries in each region, making them admired "corporate citizens."

The latest trend is to give particular national subsidiaries the global responsibility for different product lines. But this practice is in its infancy, and the preponderant trend of companies confronting globalisation is still crudely to pull control (and often activities too) back to the centre.

European companies acquiring in America can seldom afford to make this mistake. The relative size of the US offshoot to the parent company and the very different character of the US market, requires a high degree of skill intensity and decision-making to be concentrated locally. But for Swiss companies acquiring in near-by Britain, and for centralisation-mad US predators plunging into Europe, such constraints may not apply.

The quality of multinational investment varies from case to case, in other words. Rowntree's size and the discrete character of its product line give it some protection against having key activities transferred to Switzerland. But Cadbury could be another matter: in both chocolate and soft drinks, its products are less distinct from those of potential predators. Foreign ownership may matter far more to it than to Rowntree. As events will demonstrate, the nationality of a company may be irrelevant in one case but vital in another.

Aid funds used to help exports

From Mr Tony German.

Sir, Adrian Hewitt has pointed out (FT June 14) that in 1986 Japanese aid was greater than UK aid as a percentage of gross national product (GNP).

He might also have pointed out that, in the case of another important aid indicator (quoted by Ian Rodger, June 10), the proportion of aid which is tied, the UK's performance is worse than Japan's. In its 1987 report the Organisation for Economic Co-operation and Development (OECD) noted the "relatively high proportion of British aid tied to procurement in Britain" and expressed its "concern at the increasing resort to the use of aid budget funds for export-related financing."

Other OECD qualitative indicators – aid to least developed countries, local cost financing, grant element of the Overseas Development Agency (ODA) – show Britain's aid to be generally better than Japan's, but surely, with an aid programme now one-quarter the size of Japan's in cash terms, we have little room to be critical.

How can the Government sustain the argument that the decline of British aid to 0.28 per cent of GNP reflects the strong growth in the UK economy, when Japan is managing substantially to increase its aid, also against a background of economic growth?

Tony German,
Public Policy Unit, ActionAid,
Hamlyn House,
Archway, N19

If intended for publication, letters to the Editor should include, where possible, a daytime telephone number.

Letters to the Editor

Oil and gas volumes are different

From Professor Alex Kemp.

Sir, The Finance Bill has produced a debate about the fiscal regime applied to the North Sea southern gas fields, and in particular to the appropriate size of the volume allowance for Petroleum Revenue Tax (PRT).

The Government amendment at Committee stage (June 15) to the original budget proposals reflects the problem of establishing an appropriate value in an environment of uncertain gas prices and field sizes.

Part of the problem reflects the fact that the volume allowance for PRT is an imperfect device originally designed with oil fields in mind. Applying the same device to gas fields is liable to produce additional problems because of differences in the operating circumstances between oil and gas projects.

Thus gas contracts with British Gas generally incorporate a large seasonal variation in the yearly offtake. PRT with the associated volume allowance is calculated half yearly. The allowance is not transferable between six-month periods. This produces a result under the post-budget situation whereby the tax take can be up to two percentage points higher over two six month periods than it is on a unit yearly basis.

This is arguably anomalous, and against the spirit of the 1975 Oil Taxation Act. A simple technical amendment could produce a more equitable system whereby the volume allowance could be spread over a 12-month period at the investor's discretion. The yearly limit would continue to be enforced to maintain the spirit of the 1975 Act.

Alex G. Kemp,
Department of Economics,
University of Aberdeen,
Scotland

Pollution and tree health

From Professor K. Mellanby.

Sir, John Hunt's article (June 15) and his account of the report of the House of Commons Environmental Committee in which the Forestry Commission is criticised for not accepting "a nexus between air pollution and tree damage," is seriously misleading.

This committee has investigated this subject, and is involved in studies of air pollution and acid rain. The Forestry Commission has the advantage of carrying out its own research and also of the advice of its staff, constantly observing trees throughout the country.

Most scientists knowledgeable in this field agree with the Forestry Commission: we still need to know much more about the normal situation in our woodlands, and about the effects of various factors, including pollution, on the health of our trees, before we can lay down the law about pollution and tree health.

K. Mellanby,
The Watt Committee on Energy,
Savoy Hill House,
Savoy Hill, WC2

The City's special atmosphere

From Miss Saskia Spender.

Sir, If Mark Girouard's view of the proposed Mansion House site development is from an ivory tower (Letters, June 8), mine is through the eyes of a student recently moved to London from Italy.

The building Mr Palumbo proposes is impressive, and harmonious in itself, but its scale is terrifying. It is pointless to replace something which is already beautiful with something inhuman and wholly out of place. I find Mr Palumbo's proposal as outdated as the Mies scheme.

Already Bolsa House cuts the Cornhill view of St Paul's Cathedral, and clashes unfavourably with its environment. This new building would join it in ruining the City's special atmosphere.

Saskia Spender,
Windmill Hill House,
Windmill Hill, NW3

But where are the snows of yesteryear?

From Mr L.G. Hunt.

Sir, Today (June 14) I bought an orange water-ice. In the 1930s a Snofruit cost a penny (240 ices to the £). Its descendant – admittedly in more sophisticated packaging – cost me 33p (three ices to the £): an 80-fold increase.

Is this a record?

L.G. Hunt,
Bishops Hide,
Beausale, Warwickshire

Grazed fallow option could still be introduced for some farms

From Lord Vinson of Roddam Dene.

Sir, I hope that it is not too late for the Ministry of Agriculture to have second thoughts: initial reading of its "set aside" proposals (FT, June 15) indicates that it has completely missed the opportunity for encouraging a more economically and environmentally acceptable use of land through extensification.

On the face of it, it would have been more sensible to have copied the French, and to have allowed the option of grazing fallow at, say, half the normal compensation rate, coupled with strict limitations on any increase in stock numbers and heavy penalties for infringement.

If the European Community's (EC) extensification proposals mean anything, they must surely mean using land less intensively. However, the Ministry of Agriculture's proposals now mean that the farmer will continue to pile nitrogen on one part of the farm while his cows graze over the fence at green fallow they are not allowed to eat.

How does the Ministry intend to prevent the "accidental" break through of fences by stock, and illegal grazing of forbidden ground? Will Ministry officials stay on guard all night? The mind boggles at the supervision problems.

Paradoxically, these problems would not arise if the Ministry of Agriculture encouraged grazing fallow as an option. Such a policy would allow stocking rates on mixed farms to drop from the present intensive levels of, say, two cows to the acre, down to one cow to the acre, and *pro rata* for sheep. Farms voluntarily entering the scheme would have the same headage of stock as previously, but more land on which to graze it. Hence they would use less nitrogen – the saving in this cost alone would justify their lower rate of compensation. What is more, this would begin to meet the very real problem of the pollution of water supplies caused by excessive nitrogen use.

It is not too late for the Ministry to introduce the grazed fallow option for mixed farms in "less favoured areas" (LFA), substantial parts of which are growing corn where they never grew it 25 years ago, and which should be encouraged to return to their historic and environmentally acceptable use: permanent pasture.

The Ministry knows the existing stocking densities on farms in these areas because it pays hill farm subsidies, specifically based on stock headage. I am not aware of supervisory problems.

The attractions of such a grass fallow scheme are:

■ It would work with market forces, by encouraging the same land usage as price cuts would if they were not cushioned by "set aside" proposals;

■ Environmentally the countryside would be kept tidy and in good order, cropped by animal teeth;

■ Lower compensation payments could be made, so there would be less cost to the Exchequer;

■ Overall, nitrogen pollution would be reduced; and some economic return would continue to come from the land, rather than none;

■ There are no knock-on effects.

How such a scheme could be dismissed by the Ministry as damaging to the interests of existing livestock producers is difficult to comprehend. If ministers are worried, then at least they should consider introducing it in the less favoured areas. I hope they will have second thoughts – for the benefit of the environment, UK tax payers and, not least, British cows.

Vinson,
34 Kynance Mews, SW7.

FINANCIAL TIMES

Monday June 20 1988

Janet Bush on Wall Street

Weaving a future for baskets

A SHOCK of the magnitude of the October crash might have been expected to throw the financial markets' gears of innovation slamming into reverse. The truth is likely to be the opposite.

Two overridingly important trends before the October crisis remain very much in place. One is the use of computerised trading strategies, which continue to be a cheap and efficient tool, very much in demand by institutions.

The other is the institutionalisation of the financial markets. This, too, does not appear to have been dented by the stockmarket collapse, for all the talk of the primacy of the individual investor. A key component of the increasing domination of professional and institutional trading is the popularity of portfolio, or basket trading, an issue which will receive a great deal of attention over coming months.

The shock of the crash may have prompted talk of re-regulation, cutting back and getting back to basics, but the philosophy of free markets cannot so easily be reversed.

It seems likely that, over the coming months, a number of new futures contracts will emerge and, later, some scheme will be thrashed out enabling institutions to trade baskets more efficiently.

Mr Leo Melamed, chairman of the Chicago Mercantile Exchange, which has been at the forefront of innovations in financial instruments, believes that October 19 proved a very important point. "The world found out what the futures markets already knew - that institutions need a basket-type product. These are our customers. That is our goal."

The Merc is currently studying, in conjunction with stock exchanges including the New York Stock Exchange, the development of new products which would allow institutions to trade whole portfolios. It is by no means clear how various ideas ticking around now will be translated into actual products.

The NYSE, according to Mr John Phelan, its chairman, is currently engaged in intensive discussions about the feasibility of setting up a specialist post on the floor to trade whole portfolios.

Under the current system, portfolio trades go into the exchange's electronic systems and are then broken down into individual stock orders which is obviously more time-consuming and less efficient.

One of the big conceptual problems is how the price of portfolios can efficiently be translated into the pricing of individual stocks. As Mr Phelan comments: "I don't know how it will work but there will have to be arbitrage of some kind."

Mr Melamed gives a hint of current thinking. Discussions currently centre on a "certificate" system. A holder of a basket of stocks would be given a certificate entitling him to, at some stage, buy the individual stocks in that basket.

The question is whether that certificate should entitle the holder to "cash out" or buy into those stocks at, say, intervals of three months or at any time. Thinking on these points is still at an early stage.

The idea of having a specialist to trade on the floor of the NYSE is but one thrust of the trend towards better trading of baskets.

Already, the Philadelphia stock exchange has come up with a CIP - Cash Index Participation contract - which is a hybrid between a futures contract and a security, allowing individuals exposure to a broad range of stocks at a relatively low price.

Mr Melamed believes the development of basket trading is inevitable. He also believes that individual investors will have to learn to live with even more domination by professionals.

The Merc is looking forward to an active future. Not only does it want to introduce a contract on the Nikkei 225 and one on Morgan Stanley's Europe, Far East and Australias (EFA) index, but it is thinking about more direct and greater institutional participation in the pit in Chicago.

Again, the idea is at an early stage. Mr Melamed said the Merc was going to codify a system in which institutions would be invited to place their representatives in the futures pit to cross very large orders through the open outcry system.

"We haven't worked out the finer points, this is a bit of a prediction, but we are going to invite institutions to use our market in this way and we suspect we are going to get a lot of new business," he said.

The biggest challenge for the Merc, he says, is competition from other futures exchanges overseas who have been convinced of the usefulness of futures, index arbitrage and portfolio trading. None of it has gone away.

John Elliott in New Delhi reports on the implications of the Allahabad by-election result

Singh dents the Gandhi armour

MR RAJIV GANDHI, India's prime minister, faces a harder task ensuring that his Congress (I) Party is returned to power in a general election due by the end of next year, following a by-election victory by Mr Vishwanath Pratap Singh, his former finance and defence minister.

The by-election result, announced on Saturday at Allahabad in northern India, formally establishes Mr Singh as one of the country's most significant opposition leaders who could go on to develop a national image and appeal.

In India's 40 years of independence, opposition leaders have failed to challenge the national appeal of the Gandhi family and Congress Party.

It is too early to predict defeat next year for Mr Gandhi. He has been showing increasing signs of confidence and authority recently and is emerging from the series of crises which hit him a year ago, including allegations of corruption.

Opposition leaders are pursuing the allegations, which, however, are causing Mr Gandhi far fewer problems than they were a year ago.

Going places: Singh rides pillion on the campaign trail

Despite a continuing series of by-election defeats, there has been scarcely a dent in the massive 75-25 Lok Sabha (lower house) majority with which Mr Gandhi was swept to power in 1984 after the assassination of his mother, Mrs Indira Gandhi. There are also no signs of other Congress (I) leaders conspiring to unseat him, as during last year's crises.

In the next few weeks the course of a far more significant factor which will influence next year's election will emerge. This is the south-west monsoon which carries the promise of good rains, rich harvests, fast economic growth, and a more contented electorate.

The monsoon is moving up through south and central India on schedule. It is still too early to be sure that it will not falter before it reaches the grain lands of the north, but it is bringing the prospect of good news for Mr Gandhi.

However, the defeat in Allahabad is serious. The city is part of a Gandhi family and Congress Party stronghold in the state of Uttar Pradesh. This is the centre of what is called India's Hindi heartland and the base of Congress (I) political power. Mr Gandhi cannot afford to do badly here in a general election.

Mr Singh also has strong links in the area. He comes from a minor former ruling family of the Rajput caste, and has been the state's respected chief minister and Congress (I) boss. So he is well-placed to cause problems for Mr Gandhi.

The Allahabad result and mixed results over the weekend in six other parliamentary by-elections and 11 regional assembly contests, also show that India's splintered and fractious opposition can do well when it unites to fight Congress (I).

Mr Singh provided the catalyst for that unity in Allahabad, and now needs to spread it across the country.

Mr Singh resigned as defence minister just over a year ago. He emerged as an opposition leader, founding the Jan Morcha (People's Front) which other opposition leaders see as possibly their best path to power.

He has spoken continuously around the country against corruption, has taken over Mr Gandhi's 'Mr Clean' image, and has advocated economic policies directed towards agricultural development and people in rural areas rather than the growing urban middle classes who have done well under Mr Gandhi.

His success in a general election may well depend on how successful he has been in persuading the great mass of India's 800m people who live in rural villages that allegations of corruption can indeed stick.

The Allahabad seat became vacant when Mr Amitabh Bachchan, a famous film star and one of Mr Gandhi's closest friends, resigned last year.

Mr Singh, who lost his seat in the Rajya Sabha (upper house), late last year, put his name down for Allahabad, assuming Mr Bachchan would stand again.

A Singh-Bachchan contest would have been a gladiatorial duel which would have been seen as a direct vote for or against Mr Gandhi.

That risk was sidestepped when Congress (I) put up Mr Sunil Shastri, son of a former prime minister. His defeat was far less serious; he won only 93,000 votes.

Sony in European TV drive

BY TERRY DODSWORTH, INDUSTRIAL EDITOR, IN LONDON

SONY, the Japanese consumer electronics group, expects to be able to supply virtually all of its European television sales from production plants in the region early next year.

The company is aiming to achieve European self-sufficiency in colour televisions as part of its strategy of increasing production and overseas research to match the strength of its foreign sales.

Sony's turnover outside Japan is running at about 70 per cent of total sales. Mr Akio Morita, Sony's chairman, said on a visit to the UK at the weekend that he believes the company should now respond to its strong multinational character by placing more emphasis on local activities and management.

Mr Morita, who was in Britain to celebrate the 15th anniversary of Sony's manufacturing plant at Bridgend in South Wales, said the European television operations had achieved a level of about 80 per cent local content.

This had been achieved, he added, through a long-term process of expanding the company's own production facilities in the region and working closely with suppliers to develop components of the right quality.

Mr Morita also attacked recent European anti-dumping action against Japanese "screwdriver" plants - facilities which assemble products from components largely supplied from Japan.

Sony's experience had shown that it took time and patience to establish relationships with overseas suppliers and many Japanese operations in the region had not had time to develop these activities, he said.

Sony, one of the earliest Japanese investors in overseas production facilities, has eight manufacturing plants in Europe making a variety of audio and video products.

Bridgend, where Sony has invested a total of £65m ($115m), is the largest, employing 1,300 of the group's 3,500 European workers, and specialising in televisions and television tubes.

Output at Bridgend will rise this year when a £30m extension to the present factory comes on line. This will push up its European capacity, including other facilities in West Germany and Spain, to almost 1m - the number of its sales in the region.

Further investment in European television production is also under consideration.

While many television manufacturers are losing money in Europe because of aggressive price-cutting over the last year, Sony claims still to be profitable.

Bonn bans S African scientists

BY DAVID MARSH IN BONN

SIX South African research scientists have been banned from an international explosives conference in West Germany at the end of this month after pressure from the Bonn Government.

The Government decision, reflecting increasingly strained relations between Bonn and Pretoria, comes as West Germany and other European Community states are considering the possibility of imposing sanctions against South Africa in the event of a further crackdown against anti-apartheid protesters there.

A spokesman for the fuels and explosive materials section of the Fraunhöfer Research Institute at Karlsruhe, south west Germany, said invitations had been withdrawn for the six South Africans scheduled to attend the institute's annual conference.

The Foreign Ministry in Bonn confirmed this had been done at the behest of the Government. The Defence Ministry, which finances about half of the institute's budget, had asked the Foreign Ministry for a recommendation on the invitation and it was decided the offer should not go forward, the ministry said.

It gave a strong hint that Bonn would consider further sanctions if South Africa tightened the campaign against dissidents or if the so-called "Sharpeville Six" - who have been found guilty by South African courts of complicity in the murder of a black mayor during the Sharpeville riots - were executed. This would "automatically" have consequences both for Bonn and the rest of the Community.

Two of the six South Africans due to attend the conference work for the research arm of Somchem, a private company producing explosives for the mining and defence industries. They had been scheduled to give a presentation on the fringes of the meeting, concerning the company's products. The other four were due to attend as observers.

The South African embassy is investigating whether it has any legal means of fighting the West German decision, on the ground that it infringes free international circulation of scientists. "They cannot just turn away bona fide scientists," one South African diplomat said.

According to the Fraunhöfer institute, the conference - the most important of its kind on the international scientific circuit - has been attended before by representatives from South Africa, China and the Soviet bloc.

This was the first time political factors had prompted the banning of particular country, the institute said.

Extremists linked to Ozal murder bid

Continued from Page 1

to kill Mr Demirag as he was being carried to an ambulance, but the gunman was overpowered by security guards. This has not been confirmed by the authorities.

The shooting comes at an unsettled time for Turkey, when most of the population are suffering the effects of soaring inflation, and trades union and political opposition militancy is growing. There have also been some small bomb attacks by extreme left-wing groups during the past two months.

President Evren stoked fears last spring of another military intervention when he said martial law would be restored if conditions warranted it.

Few observers believe the military are preparing to step in again, but most agree the Government must bring about a visible improvment in living standards by the autumn if it is to avoid serious unrest and perhaps a rash of isolated outbreaks of violence.

UN may withhold up to $2bn in Afghan aid

Continued from Page 1

and the governments of Iran and Pakistan.

Estimates for the amount of aid needed vary but are generally about $1.5bn over three years plus $500m to ease the return of the refugees from Pakistan and Iran. Some estimates go as high as $3bn. Japan, Australia and the EEC are already offering support.

Mr Haq's argument, supported by Sweden among other countries, is that the aid cash should not be paid to the Soviets' puppet regime and should be held, perhaps in escrow, until the Afghan people have determined their own political leadership. The ability of the existing regime to distribute such large amounts of cash would have helped it gain rural support and to claim its programme of "national reconciliation" was working and supported by the international community. A freeze of aid funds is therefore likely to be vigorously opposed by President Najibullah's chief supporter, the Soviet Government.

However, the UN may go as far in supporting Mr Haq and the field commanders as arranging a formal meeting with Mr Perez de Cuellar. Mr Haq made a condition of his visit that he should not meet Mr Diego Cordovez, the UN negotiator who negotiated the Soviet withdrawal accords signed in Geneva in April. The negotiations were between Pakistan and President Najibullah's government with the US and the Soviet Union as guarantors. The Afghan resistance was not included in the talks and opposed any accords to which it was not party.

Mr Cordovez, whose relationship with Mr Perez de Cuellar deteriorated during the Geneva negotiations, is leaving the UN to return to Ecuador as foreign minister although he is expected to make one further visit to Pakistan and Afghanistan shortly.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	25	77	Dubrovnik	S	25	77	Malta	S	29	84	Rhodes	S	29	84
Algiers	S	25	77	Edinburgh	C	18	64	Manchester	C	21	70	Rio de Jo	F	24	75
Amsterdam	C	18	64	Faro	S	27	81	Manila	C	34	93	Rome	S	23	73
Athens	C	33	91	Florence	F	22	72	Melbourne	R	14	57	Salzburg	F	22	72
Bahrain	F	35	95	Frankfurt	C	18	64	Mexico City	C	25	77	San Francisco	F	30	86
Bangkok	C	33	91	Funchal	F	21	70	Miami	R	28	83	Seoul	S	25	77
Barcelona	S	24	75	Geneva	S	25	77	Milan	S	23	73	Singapore	F	31	88
Beirut	F	27	81	Gibraltar	S	21	70	Montreal	F	19	66	Stockholm	S	24	75
Belfast	C	18	64	Glasgow	C	17	63	Moscow	R	19	66	Strasbourg	F	24	75
Belgrade	F	20	68	Guernsey	S	19	66	Munich	S	22	72	Sydney	R	20	68
Berlin	C	16	61	Helsinki	F	19	66	Nairobi	C	18	64	Taipei	F	32	90
Biarritz	S	19	66	H. Kong	F	31	88	Naples	F	26	79	Tangier	S	28	82
Bombay	-	-	-	Innsbruck	F	17	63	Nassau	C	30	86	Tel Aviv	S	31	88
Bordeaux	S	26	79	Inverness	C	17	63	New Delhi	C	31	88	Tenerife	C	24	75
Brussels	F	18	64	Islamabad	F	39	103	New York	C	29	85	Tokyo	F	28	82
Budapest	F	25	77	Istanbul	F	27	81	Nice	S	23	73	Toronto	F	24	75
B. Aires	C	12	53	Jakarta	C	32	90	Nicosia	S	34	93	Tunis	F	28	82
Cairo	C	38	100	Jersey	S	19	66	Oporto	S	23	73	Valencia	S	27	81
Cape Town	F	17	63	Jo'burg	S	19	66	Oslo	S	24	75	Venice	S	19	66
Caracas	C	26	79	Lima	F	19	66	Paris	F	20	68	Vienna	F	23	73
Casablanca	F	23	73	Lisbon	S	26	79	Peking	C	24	75	Warsaw	F	23	73
Chicago	F	23	73	London	S	24	75	Prague	F	21	70	Washington	F	22	72
Cologne	F	17	63	Los Angeles	C	15	59	Reykjavik	R	8	46	Zurich	S	22	72
Copenhagen	S	21	70	Luxembourg	C	17	63								
Corfu	S	26	79	Madrid	S	26	79								
Dallas	S	23	73	Majorca	S	25	79								
Dublin	C	19	66	Malaga	S	25	77								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Summit takes upbeat view

Continued from Page 1

reinforced by Japan's announcement of a $1bn aid package for 17 of the least-developed nations. Japanese officials said that the aid would cover those countries' debt servicing payments to the Tokyo Government over the next five years.

The Bonn Government said it was also planning increased assistance and was considering write-offs involving DM2.2bn ($1.25bn) owed to West Germany by 13 of the poorest nations.

Mr Nigel Lawson, Britain's Chancellor of the Exchequer, who first proposed a package of measures to help sub-Saharan Africa, voiced optimism that the various plans could now to melded into one joint initiative.

On a less encouraging note, significant differences on agriculture emerged between the North American contingent who are seeking substantive progress on subsidies and the EC which feels detailed discussions on the issue should be confined to the Uruguay round of the General Agreement on Tariffs and Trade (Gatt) talks.

EC officials also expressed displeasure with the recent US decision to reduce its cereals set-aside programme

THE LEX COLUMN

A call for brand new accounts

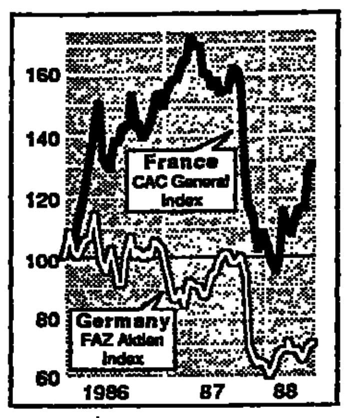
One of the prickliest issues raised by the Rowntree affair is how to account for brand names in a company's books. The prices being offered for Rowntree seem to imply that Kit Kat, Smarties and the rest are worth three times the group's tangible assets, and yet they find no place in the balance sheet at all. For the outside user of published accounts, can this really be a true and fair view?

It can be argued that a balance sheet is there not to show value, but to record the effect of transactions. Certainly, if the market got Rowntree's value wrong, it was not because it did not know the brands existed, but because it underestimated the earnings stream which they could produce. But the principle is not absolute; if, for instance, the balance sheet gives a significantly wrong figure for the value of land and buildings, directors are legally obliged to say so. More generally, common sense suggests that directors should give a best estimate of the resources at their disposal, so that shareholders can judge how effectively they are being deployed.

Though few big-brand companies would disagree with that, the problem is one of establishing values in practice. Reckitt & Colman and Reed International both put brands on their balance sheets (publishing titles, in Reed's case), but only for brands which have been acquired and thus had a value put on them at the time. The rules then say that brands should be depreciated over their useful lives; both companies avoid that tricky and subjective question by capitalising only those brands which can be claimed to have indefinite life, and thus need not be depreciated at all.

What is really needed, though, is a means of valuing brands which have been developed - not acquired - on the basis of cash flow, notional royalties or whatever. After all, if the trend to global or pan-European brands is to continue, the proportion of their owners' worth represented by intangibles seems bound to increase. However, those consumer goods companies which complain about their understated worth under the present system should reflect that such a change would bring its pressures as well.

Putting the brands on the balance sheet, after all, would have a very unflattering effect on the calculation of return on assets. More important, it would eliminate great chunks of the goodwill now arising on takeovers. Hawkish managers might welcome this as helping their predatory ambitions; but they should bear in mind that it would make them more vulnerable to takeover in their turn.



European takeovers

It is going to be another busy week on the European takeover front. Mr Carlo De Benedetti is unlikely to let tommorrow's annual meeting of Société Générale de Belgique pass without making hostile noises, and Compagnie du Midi's meeting the next day may shed light on its increasingly complicated bid to escape from Italy's biggest insurance company. Meanwhile, the KIO and its allies in Spain are expected to continue shaking the tree in the hope of changing the terms of the Banco Central/Banesto merger. All we need is for Mr Carl Icahn to take a working European holiday while he awaits the outcome of the Texaco proxy battle, to complete the impression that Europe is gripped in a takeover boom of unprecedented proportions.

There has even been a faint glimmer of hostile activity in West Germany, of all places, where Feldmuhle Nobel, the industrial conglomerate, has come under the predatory spotlight. Some wealthy members of the Flick family went as far as suggesting a price of DM350 per share - valuing the group on a prospective multiple of 15 times earnings, or around $1.4bn - but quickly dropped the idea after the shares began to rise.

Feldmuhle Nobel could be an interesting test of the takeover temperature in West Germany. Unlike many German companies, it does not have a strong and protective shareholder base and has yet to win approval to limit voting rights. It does have a powerful friend in Deutsche Bank, whose opposition to hostile bids may explain the surprising speed with which the Flick proposal fizzled out. Nevertheless, West Germany's ability to insulate its companies will come under increasing pressure with the approach of 1992, and a more serious bid approach for Feldmuhle could help break the local antipathy towards hostile corporate activity. It would also be a wonderful tonic for a local stock market which has performed miserably compared with most of its Continental rivals.

IDBs

Inter-dealer brokers, the old stock exchange hands used to say, would never get anywhere. Yet the four IDBs are steadily increasing their share of a shrinking market and may now make up over a third of it. Even the Stock Exchange seems confounded at the increase, and has set its researchers the task of finding out why.

The whole thing took off during the crash, when the IDBs were the only people in the market answering their telephones. It may have come as a surprise to a previously sceptical audience that IDBs had a real function; but in nearly every fragmented over-the-counter market, intermediaries form an inner ring promising both speed and anonymity, and there is no reason why the equity market should be different.

Indeed, the Stock Exchange has created a special place for intermediaries by insisting that a market maker asking for a price through SEAQ must himself display a price in a similar or larger volume. In the early days of Big Bang, even the flimsiest firms put huge volumes against their prices, but the crash changed that; and now anyone wanting to make a big trade calls either two dozen market makers or one IDB instead.

While IDBs probably make the market more efficient, and avoid erratic moves in prices as everyone second-guesses what is going on, they also reduce its transparency - something the agency brokers, which have no access to IDBs, are keen to point out. However, the real problem is probably the natural inequalities that exist between market participants. The trouble with SEAQ is that it shows what the price is, but not who is really prepared to deal - suggesting that SEAQ could eventually become irrelevant, providing only a benchmark price for small deals. The bigger trades would be conducted outside, in a market in which the terms offered to one caller may be quite different from those offered to another.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday June 20 1988

INTERNATIONAL BONDS

Suffering an overdose of euphoria and gloom

A WEEK may be an long time in politics but it can seem interminable in the Eurobond market, as many syndicate managers and dealers discovered to their cost last week.

The market which started the week, if not with a bang, then on a decidedly upbeat note, ended with a whimper as prices in most sectors shed gains posted in the earlier part of the week. Several traders left for the weekend rueing substantial losses and few were optimistic that the meeting of the Group of Seven industrialised nations in Toronto would come up with a stirring communique to give the market some clearer direction.

However, it was not their first experience of the roller coaster market, largely propelled, as usual, by US trade statistics, and by Friday night there was a discernible feeling that both the euphoria and the gloom had been somewhat overdone. Many even voiced the hope that with a rise in rates now already discounted by the West German, Japanese and, to a lesser extent, UK markets, this week could see a limited technical improvement in prices.

This time last week, several voices were proclaiming the renaissance of the Eurodollar bond sector as the strength of a US Treasury bond rally lured back a clutch of prestigious borrowers. The success of two 10-year dollar straights launched on Monday – Belgium via Credit Suisse First Boston and SNCF via Banque Paribas Capital Markets – seemed to vindicate these prophecies.

On Tuesday, the markets advanced further when the US seasonally adjusted trade deficit for April came in below $10bn and well below expectations. A host of US corporate issuers leapt on to the borrowing bandwagon and the Canadian dollar sector also saw a crop of new issues.

Then on Thursday, the market was hit repeatedly by a battering ram of economic news and data which re-ignited fears of growing inflationary pressures and rising global interest rates. "The market was torpedoed and there was hardly any time to man the lifeboats," said one syndicate manager at a leading European house. The reversal was swift and several dealers were left with plenty of expensive-looking paper on their books.

By the time the tide turned, the week's first deals had been more or less fully placed and were barely affected. The Belgium deal held up steadily. Two of Credit Suisse First Boston's other dollar deals also performed decently given the poor tone of the market. However, the issues for Coca-Cola subsidiary Coke Enterprises and Campbell Soup, were for borrowers which traditionally sell on any terms to investors who are more concerned with adding the names to their portfolios than on the relative merits of price.

Less retail-oriented names which tapped the sector on euphoria in the wake of the trade data fared decidedly worse. These had been largely snapped up by professionals buying on a short-term spread-oriented basis and looking to turn the paper around swiftly.

A $100m three-year deal at 8¼ per cent and 101.05 for Hartford Finance, a vehicle for Aetna Casualty & Surety which guaranteed the deal through Samuel Montagu, was hard hit. It saw reasonable demand following its early launch but when the US Treasury market opened sharply lower, the deal fell to trade well outside its fees.

A similar fate was met by a five-year bond at 9 per cent and 100¾ for Skandinaviska Enskilda Banken via Credit Suisse First Boston which was bid around its 1⅞ fees before the New York market slump and fell to a discount of 2⅝.

The Canadian dollar market, which saw an unusually high amount of C$885m in new paper last week was also depressed by the softer tone to the Eurodollar sector. The fate of last week's five issues reflected a trend seen in other sectors of the market with the better-rated credits holding up well while issues for corporate and financial borrowers suffered somewhat.

Two issues for Canadian provinces, Saskatchewan via Wood Gundy and Alberta via Banque Paribas Capital Markets, saw good demand in the light of the market slump. Although there was some surprise in the market at the choice of Banque Paribas to lead the jumbo issue for Alberta – at C$500m, the largest deal ever in the sector – the issue was generally well-received and expected to see good demand as a highly liquid issue coming from a reliable borrower. Demand from Europe was said to be steady, although the terms were apparently a little too tight for Canadian investors.

Dominique Jackson

EUROCREDITS

UK home loans market begins to meet resistance

THE RAPIDLY expanding market in UK home loans is attracting many bankers in the syndicated loans market, yet financings to support mortgage lenders are meeting resistance.

For most would-be mortgage lenders it is cheaper and quicker to visit the syndicated loans market than fund themselves through the alternative of securitising mortgages. But it seems that despite the appeal of such business to many bankers, bank credit committees are often hard to persuade to expand in-house limits on such financings.

There is thus a perception that the market might be overcrowded with these facilities; after all, there is a relatively limited group of interested banks. This is despite the wide variations in their structure, their undoubted credit quality – loan loss experience on British mortgages has been negligible, although it is increasing – and the rich returns compared with equivalent quality corporate lending.

Higher returns have been needed to tempt in banks, and if they move still higher then securitised financings may begin to look more attractive.

County NatWest has been mandated for the latest of such financings by Equity & Law Home Loans. The £150m, seven-year facility is fully underwritten by National Westminster Bank, Société Générale and the Sumitomo Bank.

It carries a margin of 35 basis points over London interbank offered rates and a commitment fee of 10 basis points. The facility revolves for four years and is extendible after that, subject to a 2 basis point fee.

Bankers say they detect a slowdown in corporate demand for bank financing, although this may be partly due to the approach of the traditionally quiet summer in the market. But a significant number of deals is still being done with US borrowers, some of which do not see the international market.

First Chicago has recently raised several large financings, for instance. These include a $1.5bn three-year transaction for Baxter Travenol, a $150m deal for Zayre Corporation and a $250m package for Heller Financial.

Credit Suisse First Boston's $400m financing for First Interstate was raised to $500m before the signing last week, making it the largest internationally syndicated credit for a US bank holding company.

In the UK, Barclays de Zoete Wedd and Midland Montagu are raising £200m through a multiple option facility for BICC, the construction, cables and systems concern. It will have a five-year maturity and £100m will be committed. It includes a $50m swing line to back up an existing US commercial paper programme. Terms are not yet disclosed.

Montagu is also raising £110m over five years for Abaco Investments, a subsidiary of British and Commonwealth Holdings. Manufacturers Hanover raised a facility for Wagon Finance from £50m to £75m.

Bankers Trust International, Indosuez, the Mitsubishi Bank and Santo Spirito have been mandated to raise a FFr600m ($102m) five-year term loan for Alitalia, the Italian national airline. The loan carries margins of 15 basis points for the first three years, rising to 17½ basis points for the last two. Front end fees range down from 12 basis points for FFr60m.

Still in Italy, ItaB bank is syndicating an Ecu55m credit for Federagrario. It is in three parts, a four-year credit with 18 months grace with margins of 12½ basis points for two years and 18¾ basis points for the remainder, a two-year bullet with a 12½ margin and a one-year bullet with the same margin.

A financing for Spie-Batignolles being arranged by Société Générale was raised to $200m from $150m.

In the Eurocommercial paper market, Top Danmark, the Danish financial services company, has established a $150m ECP programme arranged by Merrill Lynch International, with Swiss Bank Corporation International also acting as dealers.

Stephen Fidler

Delamuraz enters row over Swiss share law

By John Wicks in Zurich

MR JEAN-PASCAL Delamuraz, Switzerland's Minister for Economic Affairs, has added his voice to the swelling criticism of limitations by Swiss companies on the ownership of their registered shares.

In the past few months an increasing number of companies have amended their articles of association in respect of share registration, in most cases to ward off unfriendly takeover attempts.

The measures have come under fire from abroad, not least in connection with Swiss moves to acquire foreign companies. In Switzerland itself, some of the transactions have been attacked as arbitrary and contrary to the principles of free stock market trading.

Addressing the Association of Foreign Banks in Switzerland in Berne, Mr Delamuraz said that "the recent introduction of restrictions on the negotiability of certain listed equities, particularly registered shares, was not of a nature to project a favourable image of Switzerland as a financial centre."

He added that the idea of reciprocity was an important one.

Further criticism came from Mr Jean-Pierre Cuoni, head of Citibank's Swiss operation and the association's chairman. He expressed concern at the "insulation of Swiss joint-stock companies, the fact that in some cases management had set itself up in the role of a proprietor and the simultaneous depriving of shareholders of their powers.

"Nobody should be surprised if foreign investors, who in good times have accounted for some 60 per cent of trading volume on Swiss stock markets, become less interested in Swiss shares. The doldrums of the past months on Swiss markets could be a pointer."

Dutch financial markets to get new watchdog

BY LAURA RAUN IN AMSTERDAM

SUPERVISION over Dutch financial markets will be shifted to an independent body with wide powers of self regulation and away from the Finance Ministry under a new bill.

The body, made up of representatives from the financial industry, will work in a similarl manner to the UK's Securities and Investments Board and the US Securities & Exchange Commission. It will govern the Amsterdam Stock Exchange, European Options Exchange, Amsterdam financial futures market as well as off-bourse dealings.

The bill, agreed by the Cabinet late on Friday, will replace the outdated "bourse law" of 1914 and an emergency law passed in 1985 to root out dubious share-pushing firms in Amsterdam.

In the past, regulation was *shared between the Finance Ministry* and the financial industry but now the self-regulatory powers will be widened and legally embodied, guarding against changes in political winds in future governments.

Disclosure rules for securities, a permit system for financial professionals and information-exchange with foreign authorities are also covered in the bill. The Dutch generally are willing to provide information in an attempt to combat international securities fraud but that responsibility is underscored in the bill.

This is in sharp contrast to some other European countries which have frustrated US efforts to trace cross-border insider trading by withholding information.

A separate bill to outlaw insider trading in the Netherlands is currently pending in parliament. MPs are seeking to put more teeth in it by making *insider trading a crime* regardless of whether profits are made.

Ankara mandate soon

BY JIM BODGENER IN ANKARA

ANKARA will decide by the end of June whether to award a mandate to one of nine bank groups bidding for a scheme to convert $1.5bn of US foreign military sales debt into long-term bonds, say senior Turkish officials.

Turkey is one of several favoured military debtors selected for the novel interest relief scheme by the US.

The Israeli Government has already decided in principle to convert some $5bn of converted military debt into bonds, and a mandate is imminent for another scheme for Tunisian debts.

Of the nine consortiums bidding for the Turkish debt, one is formed from Bankers Trust, Lazard Frères and Salomon Brothers, and others are led by Citicorp, Merrill Lynch, Drexel Burnham Lambert and Shearson Lehmann.

Turkey's total military debt to the US totals $2bn and most is at interest rates of between 14 and 18 per cent.

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	1,556.0	0 0	358 4	8,721 1
Prev	98.7	0.0	1 0	6,900 5
Other	4,563 6	1.1	342.4	1,443 9
Prev	2,379.4	211.2	739.0	1,221.4
Secondary Market				
US$	14,417 5	1,373.8	4,967 1	4,724.7
Prev	12,454.1	1,133 9	4,660.8	4,626 3
Other	20,879 1	1,062 2	4,454 4	23,628 1
Prev	16,537.2	1,428.0	2,847.6	19,895 8

	Cedel	Euroclear	Total
US$	9,858 9	26,259 7	36,118 6
Prev	9,664.2	20,211.1	29,875.3
Other	26,899 9	29,474 9	56,374 8
Prev	20,216.5	25,043 1	45,259 6

Week to June 16, 1988 Source: AIBD

UK GILTS

Interest rate and inflation pressures dominate sentiment

THE GILT-EDGED securities market sparked to life last week. It followed the US Treasury market up on Tuesday only to see its attention switch to domestic concerns following two days of terrible UK statistics, on Thursday and Friday, and end the week at nearly the 9.5 per cent level for long-dated issues.

Of the dominant forces of the week which have enough momentum to affect the future, two stand out: the first is global – higher world interest rates – the second, related but essentially domestic – inflationary pressures in the UK.

Some weeks ago the trend to higher interest rates was noted. That trend now seems to be an inch away from being confirmed by the West German and, possibly, the Japanese authorities.

The Bundesbank is not happy with domestic developments and the level of the D-Mark. It is concerned about imported inflation and a pick-up in exports. The bank sold up to $4bn since late May to support the D-Mark to little or no avail.

Interest rates have been high on the agenda at Bundesbank board meetings recently. It is quite possible that the board has decided to tighten policy and tomorrow's "repo" could provide such an opportunity to raise short rates from 3¼ to 3½. Any move to tighten, however, is left to the last minute.

In Japan the strong dollar is also raising concerns about imported inflation, although the yen had demonstrated greater strength against the US currency than has the D-Mark. Nevertheless, the noises emanating from Tokyo suggest that, with the economy expanding at a startling rate, some monetary restraint might be needed and, some small upward adjustment of short rates seems to have been made.

And so to the UK. Last week's releases simply confirmed the old story of buoyant demand and expenditure. The rise in average earnings and inflation (up from 3.3 per cent in January to 4.2 per cent last month) together with revised current account numbers only served to undermine the market.

The balance of inflation risks has probably shifted a notch in the negative direction. Higher average earnings and lower productivity have flowed through to higher unit labour costs.

In the three months to January productivity grew at 6.8 per cent; in the quarter to April it grew at 5.2 per cent. Unit labour costs show a contrary movement: up 1.2 per cent in the three months to January and up 3.2 per cent higher in the quarter to April.

* * *

There are some fairly wild stories flying around the gilts market concerning Morgan Grenfell. What had been regarded as one of the sleepiest gilts operations *has* undergone something of a renaissance, but stories of it having built up market share to the 10 per cent to 15 per cent level are a little wide of the mark.

Morgan Grenfell came close to pulling out of the market almost a year ago but the October crash taught management that a fixed interest operation can earn real money. After retrenchments last summer, dealing and sales forces have been rebuilt.

More importantly, perhaps, there has been a fundamental change in attitudes to trading. Since March, Morgan Grenfell no longer operates a "back book/front book" operation. It now sees its future in trading and arbitrage, which reflects, perhaps, senior management trained in the US Treasury market.

Moreover, it believes that the only way to deal in the market is by offering *a* price. As one executive says, there is no mid-price, just a price at which people will deal. Dealing with large investors on this basis not only provides the opportunity to make money, if one's judgment is right, but it is also an invaluable source of market intelligence.

The strategy seems to be paying off. Market share has improved as has profitability. Quoting extremely fine prices does mean that Morgan Grenfell is seeing more of the business.

But the experience of Lloyds and Merrill Lynch still looms large. Aggressive pricing has often ended in tears and a change in occupation. If Morgan Grenfell succeeds, however, then its strategy may well be one that others would copy. There are a lot of people watching.

Simon Holberton

US MONEY AND CREDIT

Traders beat hasty retreat after a spectacular rally

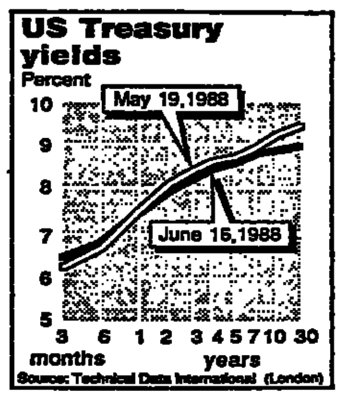
IT WAS all going to be so nice. Central bankers and finance ministers from the main industrial countries were going to have a quiet and comfortable annual meeting in Toronto, with nothing much to talk about except how well things were going.

As it is, the meeting began yesterday with financial markets suddenly rattled by the prospect of rising global interest rates.

In the US markets, last week's swing in sentiment was extreme. The dollar and dollar-denominated securities were given a tremendous boost on Tuesday when the Commerce Department reported that the US merchandise trade deficit narrowed in April – on its new seasonally adjusted basis – to $9.9bn from $11.7bn in March.

The figure was not only low, it was also low for all the right non-inflationary reasons. Exports declined, so there was less need to worry about overheating the manufacturing sector; but imports declined faster, so aggregate demand was slowing. Here, at last, was evidence that the dollar devaluation had set the stage for a lasting improvement in the US trading accounts.

The dollar rose sharply and the stock market, as if on cue, burst through the 2100 level which has defeated the Dow Industrials all year. The Treasury long bond



Source: Technical Data International (London)

jumped two full points for its strongest gain since mid-January, and was yielding under 9 per cent for the first time since April.

Wednesday produced a textbook consolidation. Though the temptation to realise profits must have been strong, there was little selling and the long bond slipped just 15 basis points while stocks advanced a bit. It was on Thursday that everything fell apart and by the end of the week the whole spectacular rally might never have occurred. Indeed, the 30-year bond was down on the week and yielding 9.10 per cent.

The market collapse was at first baffling. Rising commodity prices, in part because of the drought in the Prairie states, took their usual share of blame. Reports that Congress is considering raising revenue from a new withholding tax on foreign holdings of American securities were worth at least half-a-point off the long bond on Friday. But as this week begins, the markets' main preoccupation is that the Toronto meeting will be faced with attempts to co-ordinate a rise in interest rates.

The markets woke up last week to the unpleasant thought that a stable dollar could be a mixed blessing. Overseas monetary authorities have been anxious for some time about the inflationary potential of current economic growth. But they have been hampered in raising domestic interest rates by the fragile condition of the dollar.

Now that the dollar appears to be firm, Japanese and West German policymakers will not want their currencies to devalue and risk higher import prices. As Salomon Brothers put it last week: "The mild strengthening in the US dollar that followed the trade report quickly revealed the policy biases among foreign monetary authorities which will limit further rallies in the dollar."

This line of thought won adherents on Thursday, when data from Tokyo showed that the Japanese economy grew at the astonishing annualised rate of 11 per cent in the first quarter after inflation adjustments, as if Japan were some resource-rich developing country.

This Tuesday, the Bundesbank in Frankfurt is expected – market conditions allowing – to raise interest rates on its securities-repurchase agreements by 25 basis points, from 3½ per cent to 3¾ per cent. And the Bank of England, which has countenanced two base-rate increases recently, is believed to want sterling rates to go higher.

The clamour for higher rates is not uniform. Japan and the UK are predominantly concerned that their economies will overheat in a welter of price rises. In West Germany, the domestic economy did show better than expected growth but the prime concern is the weakness of the D-Mark in foreign exchanges.

Both West Germany and Japan have been saddled with rising money supplies because of their dollar-support operations and may feel that now is the time to get things in order. According to market reports, the Bundesbank has been selling dollars and slightly reducing domestic liquidity at the same time.

* * *

The following are the main economic indicators due for release this week. With them are median market forecasts as surveyed on Friday by Money Market Services of Redwood City, California:

- Consumer price index for May, due on Tuesday at 8.30am. Prices are expected to have climbed by 0.4 per cent in May, at about the same rate of increase as in April and March. Some economists surveyed believe the May increase could be as high as 0.6 per cent.
- Durable goods orders in May, due on Wednesday at 8.30am. These are expected to rise by a solid 1 per cent, thanks in part to large aircraft orders.
- Real Gross National Product for the first quarter, due on Thursday at 8.30am. This revision of first-quarter economic growth will probably be unchanged at 3.9 per cent, though some economists believe it could be adjusted as high as 4.2 per cent or as low as 3.2 per cent.
- Personal income and consumption for May, due on Friday at 10am. Income is expected to have risen by 0.5 per cent and outlays by 0.4 per cent.

James Buchan

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	7.53	7.36	7.13	7.78	6.27
Three-month Treasury bills	6.39	6.43	6.26	7.17	5.03
Six-month Treasury bills	6.70	6.65	6.59	7.65	5.41
Three-month prime CDs	7.50	7.53	7.32	8.28	6.67
30-day Commercial Paper	7.35	7.37	7.05	7.62	6.43
90-day Commercial Paper	7.43	7.47	7.20	8.05	6.47

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	97⅜	-⅛	8.85	8.77	9.02
20-year Treasury	101⅝	-⅞	9.19	9.09	9.45
30-year Treasury	100¼	-⅝	9.10	9.05	9.35
New 10-year "A" Financial	n/a	n/a	9.98	9.88	10.15
New "AA" Long utility	n/a	n/a	10.30	10.25	10.50
New "AA" Long industrial	n/a	n/a	10.20	10.13	10.38

Source: Salomon Bros (estimates).

Money supply: In the week ended June 6, M1 increased by $2.4bn to $773.5bn.

NRI TOKYO BOND INDEX

December 1983 = 100	16/6/88	Average yield (%)	Last week	12 wks ago	26 wks ago
	PERFORMANCE INDEX				
Overall	144.06	4.52	144.21	143.45	139.44
Government Bonds	144.40	4.27	144.78	144.59	140.16
Municipal Bonds	145.98	4.83	145.94	144.74	140.30
Govt.-guaranteed Bonds	147.47	4.81	147.43	146.10	141.50
Bank Debentures	138.25	4.32	138.18	137.85	134.57
Corporate Bonds	144.16	5.31	144.07	142.56	138.83
Yen-denom. Foreign Bonds	145.19	6.39	145.01	142.98	139.99
Government 10-year†	5.03	–	4.97	4.82	5.16

† Estimated par yield

Source: Nomura Research Institute

CFTC ends freeze on new index contracts

APPROVAL by the Commodity Futures Trading Commission (CFTC) of two new stock index futures contracts planned by the Chicago Board of Trade (CBOT) marks the lifting of a moratorium on new index contracts imposed by the agency after October's stock market crash.

The CFTC has recently approved both the CBOE 250 and the CBOE 50-stock index futures contracts developed as part of a joint venture between the CBOT and Chicago Board Options Exchange.

The new contracts, which are based on the top 50 and 250 blue chip stocks on the New York Stock Exchange, are not expected to trade for several months.

Around nine new stock index futures contracts were on file at the CFTC before the October market crash. However, amid the criticism surrounding stock index futures after the crash, the agency said it would approve no new index contracts until exchanges filed additional details.

Approving the new CBOT contracts, Ms Wendy Gramm, CFTC chairman, stressed the importance of stock index futures to risk management. She acknowledged the "perceptual issue" surrounding index futures, but said the way to address this was through education and not by blocking innovative products.

The announcement paves the way for approval of other index contracts on file with the CFTC. These include an index of foreign stocks developed by New York's Coffee, Sugar and Cocoa Exchange and contracts based on two Japanese stock indices.

Deborah Hargreaves

FT/AIBD INTERNATIONAL BOND SERVICE

[illegible]

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions. FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon. CONVERTIBLE BONDS: US dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price. WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price. Closing prices on JUNE 17.

Icahn faces the masses in Texaco's backyard

BY JAMES BUCHAN IN TULSA, OKLAHOMA

MR JAMES KINNEAR and Mr Carl Icahn, bitter rivals in a struggle for control of Texaco, both claimed victory on Friday in a crucial vote of the shareholders of the third-largest US oil company.

However, there was no doubt who was the clear favourite among the shareholders present at Texaco's annual meeting in the heart of the US oil industry.

"I know why they give three points for home-court advantage," said a rueful Mr Icahn after more than three hours of roasting by a partisan congregation of Texaco employees, pensioners, wholesalers and petrol station operators as well as other stockholders.

"But if you have an overwhelming desire to be loved, you don't come to one of these things."

About 1,000 shareholders crammed into the ballroom of the Tulsa Westin Hotel while hundreds more watched proceedings on television monitors outside.

A few speakers rose to criticise Mr Kinnear, Texaco's chief executive, and Mr Al DeCrane, its chairman, for the company's poor record but the overwhelming majority of speakers accused Mr Icahn of attempting to break up Texaco for his own short-term gain.

Mr Icahn, a New York takeover specialist who owns 14.8 per cent of Texaco, was seeking five board seats in an attempt to launch a $14.22bn takeover of the oil company.

Texaco officials, who have suffered through four years of unremitting misfortune including the bankruptcy of the company, were jubilant that they had won a majority of the company's 243m shares - and 200,000 shareholders - for their own list of directors.

"Our advisers tell us that we will win and the margin will be substantial," said Mr Kinnear, who received a standing ovation from the packed meeting.

The results of the poll, the largest taken in a proxy contest, could take three to four weeks to be published, said Mr DeCrane.

Mr Icahn also claimed victory, but only on condition that a key block of 12m shares had been voted in his favour or abstained. This block, which was amassed in March by Kohlberg Kravis Roberts, the New York investment firm, has been the object of blandishment from both sides. Last Tuesday, the fate of this block became more uncertain when 7.7m shares believed to have been owned by KKR were sold to an unknown buyer.

"If the block is against us, we'll definitely lose," Mr Icahn said.

Looking dazed at his hostile reception, Mr Icahn complained that Texaco had packed the meeting and warned that a defeat for his nominees would be a disaster for shareholders' rights. "If we lose this one, it's a great setback for corporate government," he said. "This might be the last proxy fight."

Mr Bill Linn, a retired Texaco employee from Austin, Texas, received an ovation when he said: "Giving the company to Mr Icahn would be like giving your Stradivarius to a gorilla."

Kymmene debuts in London

By Maggie Urry in London

TRADING in the shares of Kymmene, the leading Finnish forest products group, starts today on the London Stock Exchange. Only the unrestricted shares – those which can be held by non-Finnish nationals – are being introduced to the London market.

Kymmene has 50.3m restricted and 11.7m unrestricted shares in issue. The unrestricted shares are not entitled to exercise more than one-fourth of the votes represented by the restricted shares.

It is thought that gaining a London listing for its shares is part of Kymmene's strategy to expand its international activities. It already has production facilities in the UK, France and West Germany.

Kymmene has transformed itself over the last three years, focusing on its forest product activities.

Rauma-Repola plans shipyard layoffs

RAUMA-REPOLA, the Finnish metal and forest industries group,has announced drastic cuts at its shipbuilding and marine technology division, with 600 of the 4,400 employees to lose their jobs by the end of this year. Shipbuilding operations will be concentrated at the Rauma yard.

Sulzer to buy pacemaker group

BY RODERICK ORAM IN NEW YORK

INTERMEDICS, a leading US maker of heart pacemakers and other medical equipment, has agreed to be acquired by Sulzer Brothers of Switzerland for $43 a share, or some $800m.

The offer is conditional on a majority of the Intermedics' shares and warrants on a fully diluted basis being offered by shareholders. Company executives and directors own some 20 per cent of the equity.

The company reported net profits of $20.6m, or $1.22 a share, last year on revenues of $193.3m. Earnings per share could rise to around $1.70 a share this year thanks to buoyant business.

Its orthopedic prostheses products are enjoying strong demand and CarboMedics, its carbon coating subsidiary, is also performing well, thanks in part to shipments of mechanical heart valve parts.

Pacemaker operations in the US are slow, however, because of stiff competition from Medtronic, its main rival.

Intermedics is waiting for a court verdict soon on the damages it must pay for infringing Medtronic's patent. Although the sum could be as high as $60m, the impact on Intermedics should be slight.

It has set aside a $27m reserve and it has close to $50m in cash and no debt.

Pacemakers sales abroad are strong, however, and analysts are optimistic that the introduction of new products will keep pacemaker sales growing strongly overall.

Husky Oil expands with Canterra Energy takeover

BY ROBERT GIBBENS IN MONTREAL

HUSKY OIL, the western Canadian oil and gas group controlled jointly by Hong Kong entrepreneur Mr Li Ka-shing and Nova, the Alberta energy group, is buying all the shares of Canterra Energy, a western Canada energy group now 51 per cent owned by Polysar Energy and Chemical.

This is a sequel to last week's eight-month-long C$2bn (US$165.3m) takeover of Polysar's petro-chemical assets by Nova.

Husky will make its move in three steps, and when Canterra has been absorbed may try to bid for Texaco Canada.

First, Husky will buy 51 per cent of Canterra from Polysar, and then a further 12 per cent from Nova for a total C$375m or $2.85 a share.

It already owns 8 per cent, and later it will buy the remaining minority shares on the same terms.

Canterra is a big gas and sulphur producer in western Canada, and was formerly Aquitaine Company of Canada, owned by the French Elf group, before being acquired by Canada Development Corporation early in the 1980s. CDC later evolved into Polysar.

Canterra has 15 per cent of the Terra Nova oilfield off the Newfoundland coast, which is almost certainly the first field to go into production.

It has C$1.6bn in debt, but when offset by its significant reserves this does not worry Mr Arthur Price, Husky president.

As a result of the moves, Husky will become one of the 10 largest energy groups in Canada.

La Générale sells BFr5bn Sofina stake

SOCIETE GENERALE de Belgique has sold 23.6 per cent of holding company Sofina to Union Financière Boel, another major shareholder, agencies report from Brussels.

The BFr5bn ($136.6m) sale, on which La Générale said it made a considerable capital gain, represents virtually all of its 25.25 per cent direct stake in Sofina.

To ensure their long-standing co-operation continued, La Générale and Sofina said they had agreed in principle to set up a joint company that would hold stakes in Tractebel and other energy companies.

The large sell-off, along with the launch of the new company is one of the first major shake-ups in La Générale to come amid the hostile takeover attempt by Mr Carlo De Benedetti.

Compaq in new assault on IBM

By Louise Kehoe in San Francisco

COMPAQ COMPUTER of the US will today launch an aggressive bid for leadership in the business personal computer market by introducing two new products which challenge IBM's Personal System/2 computers.

Compaq claims that its new machines offer higher performance at lower prices than equivalent IBM products. The company also lays claim to domination of US sales of up-market personal computers with 80 per cent of sales made through computer dealers.

But the chance to better arch-rival IBM with new higher performance machines is irresistible. Compaq's goal is to shed its image of follower to become the leader in the personal computer industry.

Following its strategy of beating IBM to market with the latest microprocessor technology, Compaq will launch a new high performance 32-bit personal computer which employs a faster 25MHz version of the Intel 386 microprocessor. The company will also unveil a "business workhorse" personal computer built around a lower cost version of the Intel chip.

With its new high performance Deskpro 386/25, Compaq claims a 60 per cent performance advantage over the recently announced IBM Model 70.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield
US DOLLARS							
Okasan Securities♦	50	1993	5	(4¼)	100	Okasan Int.(Europe)	*
Kokusai Securities♦	100	1993	5	4⅛	100	Nomura Int.	4.125
Tokyu Land♦	150	1993	5	4	100	Yamaichi Int.(Eur)	4.000
Mitsubishi Kasei♦	200	1993	5	4	100	Yamaichi Int.(Eur)	4.000
Japan Synthetic Rubber♦	100	1993	5	4	100	Nomura Int.	4.000
Goodyear Tire & Rubber♦	150	2003	15	6⅞	100	CSFB	6.875
Benetton♦	250	1998	10	9⅝	101¼	CSFB	9.446
SNCF♦	150	1998	10	9⅜	101⅛	Banque Paribas	9.303
Mitsubishi P'chemical♦	200	1993	5	(4¼)	100	Nikko Secs (Europe)	*
Fuji Photo♦	400	1992	4	(3½)	100	Nomura Int.	*
GMAC♦	250	1990	2	8¼	100.925	Salomon Brothers	7.733
Orient Leasing♦	50	1992	4	(3½)	100	Daiwa Europe	*
Tokyo Dept. Store♦	200	1993	5	(4¼)	100	Nomura Int.	*
EDF♦	150	1998	10	9¼	101⅛	BNP Capital Mkts	9.120
Int. Finance Corp.♦	100	1994	6	8⅝	101⅛	Nikko Secs (Europe)	8.545
Coca-Cola Enterprises♦	150	1991	3	8⅛	101.10	CSFB	8.073
C. Itoh♦	400	1993	5	(4¼)	100	Nikko Secs (Europe)	*
Kumagai Gumi♦	400	1993	5	(4¼)	100	Daiwa Europe	*
Hartford Finance♦	100	1991	3	8½	101.05	Samuel Montagu	8.092
Campbell Soup♦	100	1991	3	8¼	101	CSFB	7.863
Skand.Enskilda Banken♦	100	1993	5	9	100¼	CSFB	8.808
BP America♦	100	1989	1	9⅛	101⅞	Nomura Int.	7.117
Franklin Savings Ass.♦	504.15	2004	2.28	(o)	100	Banque Paribas	-
Otobank (o)♦	70	1991	3	9⅛	101⅛	Nomura Int.	8.586
CANADIAN DOLLARS							
Helaba Luxembourg♦	60	1991	3	10	101⅛	Mgn.Stanley,Hess.LB	9.403
Amex Overseas Credit♦	50	1991	3	10	101.20	Shearson L'man Hutton	9.522
Prov. of Saskatchewan♦	150	1991	3	9⅞	101⅛	Wood Gundy	9.378
General Motors♦	125	1995	7	10¼	101⅞	Salomon Brothers	9.968
Province of Alberta♦	500	1992	4	10	101⅞	Banque Paribas	9.493
AUSTRALIAN DOLLARS							
BIL♦	50	1992	4	13	101⅛	Hambros Bank	12.460
CCF♦	50	1991	3	13¼	101⅛	CCF	12.567
New Zealand♦	200	1995	7	8	83½	Nomura Int.	11.657
Svenska Handelsbk (b)♦	50	1993	5	7.65	100	DKB Int.	7.650
Oest. Laenderbank♦	50	1991	3	13¼	101½	Wood Gundy	12.495
D-MARKS							
National Bk of Hungary♦	200	1994	6	6¼	100¼	Deutsche Bank	6.199
Embart Corp ♦	175	1993	5	5½	100¼	BHF-Bank	5.442
SWISS FRANCS							
Chisan-Tokan♦§	60	1992	-	3	100	Credit Suisse	0.625
CIR Int.♦	100	1993	-	¾	100	Warburg Soditic	*
Takara Standard♦	60	1993	-	1⅜	100	Bank Julius Baer	0.125
Canon Sales Co.♦§	200	1993	-	(¼)	100	Banca Svz. Italiana	*
Uekiyumi Co.♦§	40	1992	-	(¼)	(100)	Citicorp Inv. Bank	*
Oest Draukraftwerke♦	100	1998	-	4¾	101¼	SBC	4.591
MVP Capital Corp.(d)♦	30	1993	-	5⅞	100	Banque Indosuez	5.833
Thailand♦	200	1995	-	4⅝	99¾	Credit Suisse	4.668
C. Itoh♦§	300	1993	-	(¼)	*	SBC	-
STERLING							
Nikko Securities♦	50	1993	5	4½	100	Nikko Secs (Europe)	4.500
Nikko Securities♦	50	1994	6	5⅜	100	Nikko Secs (Europe)	5.375
Meggitt Finance (f)♦	17	2003	15	6	100	Goldman Sachs	6.000
Woolwich Equit.(!)♦	200	1993	5	½	100	Hambros Bank	-
Bristol & West (n)♦	150	1993	5	½	100	CSFB	-
Saatchi & Saatchi (m)♦	176.5	2003	15	6¾	100	Warburg Securities	6.750
FRENCH FRANCS							
Lafarge Coppee§♦	1.52bn	1997	8½	6¼	100	CCF	6.125
EIB♦	1.5bn	1995	7	8¾	101⅛	Societe Generale	8.433
LUXEMBOURG FRANCS							
ANZ Banking Group♦♦	300	1993	5	7⅛	100½	BGL	7.219
EIB♦♦	300	1995	7	7⅛	100½	BGL	7.180
ECSC♦♦	300	1993	5	7¼	100⅞	Bqe Indosuez Lux.	7.033
Council of Europe♦♦	300	1993/98	5-10	7¼	100⅞	Credit Europeen	7.107
Union Bk of Norway♦♦	300	1993	5	7⅜	100	Kredietbank Int.	7.375
Paribel Int. Fin.♦(k)♦	600	1994	6	0	66¼	Bqe Paribas (Lux)	7.103
GUILDERS							
Mitsubishi P'chemical♦	150	1993	5	(3¼)	100	Amro Bank	*
ECUs							
C. Itoh♦	100	1993	5	(3¼)	100	NKK Europe,B.Paribas	*
LIRE							
EIB♦	200bn	1993	5	11½	98½	San Paolo Bank	11.915
FINNISH MARKKA							
Int. Finance Corp.♦	250	1995	7	9⅝	100¾	Union Bk of Finland	9.499
YEN							
Swedbank♦	5bn	1993	5	(a)	101⅞	Nippon Credit Int.	-
Swedbank (b)♦	10bn	1993	5	+2bp	101⅞	IBJ Int.	-
Cie Bancaire♦	6bn	1993	5	(c)	101¼	LTCB Int.	-
Bergen Bank♦	10bn	1994	6¼	(e)	101.225	IBJ Int.	-
State Bk New Sth Wales♦	20bn	1993	4¾	(i)	113¾	Nomura Int.	-
Cie Bancaire♦	5bn	1993	5	3	101¼	Sanwa Int.	4.600
Bergen Bank♦	10bn	1993	5	0	81.585	Mitsui Trust Int.	4.154

*Not yet priced. ♦Private placement. ‡Floating rate note. #With equity warrants. §Convertible. [illegible] Note: Yields are calculated on AIBD basis.

UK COMPANY NEWS

BAT to appeal against ruling on Farmers bid

BY PHILIP COGGAN

BATUS, the US arm of BAT Industries, the tobacco and insurance group, is set to appeal against a decision by the Californian Department of Insurance blocking its $4.5bn bid for Farmers, the US insurance company.

Ms Roxani Gillespie, the insurance commissioner for California, late last week denied permission for BAT to acquire Farmers' because the UK group was partially owned and controlled by governmental entities. For the purposes of the ruling, "governmental entities" appears to include the pension funds of UK nationalised industries.

California is only one of nine states where BAT needs to get regulatory approval for its bid, but it is seen as the most important, since it is the state in which Farmers has its headquarters.

The ruling came as a shock to BAT which had obviously been expecting to win approval. Some observers had been expecting Ms Gillespie to block the bid because of BAT's tobacco interests, or its links with South Africa: no-one seems to have expected a ruling on these grounds.

BAT said it had satisfied all the regulatory requirements except for "one technical issue, to which the Department applied an extremely narrow interpretation". It intends to take legal action to reverse the decision.

BAT claims that if the same interpretation was applied to other publicly-owned insurance companies doing business in California, a large number of groups, including Farmers itself, would be disqualified.

Farmers however welcomed the ruling. Its chairman and chief executive, Mr Leo E Denlea, Junior, said: "This is a significant setback to BATUS's unwanted, hostile takeover attempt, and we feel strongly that BATUS will face difficulty in other states."

Bentley's rejects £5.5m bid

Bentley's of Piccadilly, the restaurant chain, yesterday dismissed as "totally unacceptable" a £5.5m all-paper offer from Leisure Investments, the amusement centre and snooker chain group.

The Bentley's board said that it had been in friendly and confidential discussions with a number of interested parties, including LI, at a much higher level than the 8p per share bid.

Bentley's shares used to be traded under the Stock Exchange's Rule 535 but that facility has since been barred by the Stock Exchange.

LI also launched an offer for Theme Holdings, the restaurant and leisure group, on Friday.

Berkeley surges to near £18m

MORE THAN doubled profit was achieved by the Berkeley Group in the year ended April 30 1988. All the increase in operating profit came from the building of residential homes, as there was no contribution from commercial developments.

Turnover of the group shot up from £52.92m to £92m and pre-tax profit from £8.55m to £17.7m. Berkeley has expanded from its Surrey base to Sussex, London, Hampshire, Kent and more recently, the Midlands and East Anglia.

Earnings advanced 11p to 28.2p while the dividend is lifted 1p to 3.5p on capital increased by the rights issue, in pursuance of the prudent policy. The final is 2.5p.

Mr James Farrer, chairman, said forward sales still continued at record levels, despite his earlier reservations concerning the impact of last October's market crash.

He had considerable optimism for the future and the group's continued growth.

Results did not include any contribution from Clare Homes and Spencer Homes, acquired earlier the year. They had been integrated into the group and the chairman was pleased with their progress.

On the commercial side, Mr Farrer recalled his earlier note that developments would not contribute to 1987-88, whereas previously that division produced turnover of £3.63m and operating profits of £850,000.

There was net interest received of £771,000 (paid £528,000) and joint venture companies contributed profits of £1.18m (£517,000).

St George, the joint venture with Speyhawk, more than doubled its profits to £2.28m, and has a £27m development programme made up of 17 sites to be built over the next two years. Until eight months ago the company was building luxury homes on two sites; now it was operating in the total housing market, building homes from £75,000 to over £400,000.

Harvey Nichols sale looks unlikely

By Philip Coggan

A sale by the Burton retail group of its Knightsbridge-based Harvey Nichols department store looks unlikely after a statement from Sir Ralph Halpern, the chairman of Burton, yesterday.

He refused to confirm or deny rumours that General Cinema, the US soft drinks and retailing group which has a substantial stake in Cadbury Schweppes, had offered £40m for the store.

However, Sir Ralph did say that the group had received a few approaches from willing buyers in recent years.

General Cinema was unavailable for comment.

Philip Coggan sets the scene for the start of national commercial radio

Tuning in to the potential boom

There are profits in the air.

Not so long ago, radio was perceived simply as television's poor relation. Now the medium is taking an increasing slice of a growing UK display advertising market. And the contenders are already jostling for position in preparation for 1990, when the first national commercial radio (NCR) channel comes up for auction.

The recent results round illustrated how the few listed radio stations are prospering; and, as shown by Red Rose's recently announced merger with the Miss World group, the stations are confident in their ability to expand.

For years of course, radio was the exclusive preserve of the BBC. After years in which "pirate" stations had competed illegally with the Corporation, the airwaves were opened up in the 1970s under the auspices of the Independent Broadcasting Authority.

Until recently, the 49 stations which the IBA established have struggled to make ends meet. Their obligation to provide a diversity of programming restricted their ability to target the listeners that advertisers required. And the sheer fragmentedness of the system also made them cumbersome for advertisers to deal with.

It was not an industry which seemed to attract experienced entrepreneurs. Capital Radio, for example, tended to pack its board with leading lights of the media rather than the world of business.

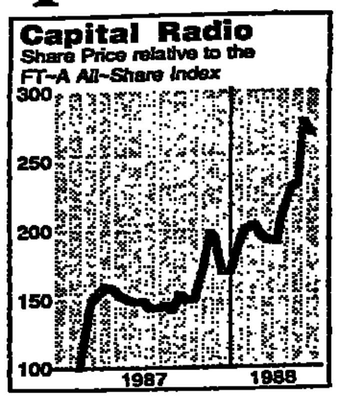
But as the price of television advertising continued to increase, radio began to benefit as agencies and clients caught on to its comparative cheapness. Some of the larger stations were able to float on the stock market in the early 1980s as their profits improved.

What is causing excitement in the radio industry is the potential for those profits to rise even further. Radio's current share of UK display advertising is around 2 per cent, but that is a pretty low proportion compared with the US (10 per cent), Australia (9 per cent) and Canada (13 per cent).

Last year, advertising on commercial radio rose by 25 per cent to nearly £100m – so if radio could increase its share of the market to 4 per cent, that would bring another £100m into the radio stations, even assuming that overall spending on advertising spending remained constant.

Radio stations pay a charge called the "secondary rental", which is related to their profits, to the IBA. But otherwise, the relationship of their costs to their revenues is limited. The cost of transmitting the standard fare of disc jockeys, phone-ins and some local news is pretty cheap, and radio does not suffer from the kind of archaic labour practices common in the TV industry.

So a large percentage of the increase in advertising revenue has gone straight through to profits. Recently Radio City, the



Liverpool-based station, announced an increase in interim pre-tax profits from £72,000 to £308,000; Piccadilly Radio, the Manchester-based station, announced more than doubled interim pre-tax profits of £537,000; Capital Radio also doubled interim profits to £3.1m.

Improving profits gives companies the confidence to diversify; Capital recently established an independent television production company. But the most striking was this month's agreed merger between Red Rose Radio and the Miss World Group.

Red Rose runs three radio stations in Lancashire, Wales and Leeds and is best known for its chairman, Mr Owen Oyston, the millionaire who tried unsuccessfully to rescue News on Sunday. Miss World is of course famous for its beauty competition; hardly an ideal radio event.

But Mr Oyston emphasised that both companies were in the entertainment business and both were involved in sponsorship. He believed the combined group could be built up into a substantial leisure business – Miss World's marketing contacts in other countries could bring important benefits for the radio group.

Being big may be very important in the upcoming NCR franchise auction, when the government will be putting three new national radio networks up for sale. Mr Oyston is widely expected to be in there bidding but he is also expected to face stiff competition from the likes of Mr Richard Branson's Virgin Group and Mr Michael Green's Carlton Communications.

Capital Radio, which is also expected to be in the running for a national franchise, has acquired minority stakes in about 13 other independent local radio stations. Even if it fails to win one of the national franchises, it will be in a strong position to offer networked programmes to whoever does take the prizes.

There are, of course, some cynics who doubt that there will be enough advertising available for three national stations, plus the existing local stations, plus the community radio stations that will also join the airwaves in the 1990s. But compared with the early days of meagre revenues, the radio stations are currently walking on air.

Debenham Tewson plans German/Dutch venture

PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

Debenham Tewson and Chinnocks, the largest of the quoted commercial property surveyors, has announced an association agreement with German and Dutch companies that should substantially increase its continental coverage of business.

The agreement is with Zadelhoff, which has offices throughout the Netherlands and Germany. The plan is that Debenham Tewson and Zadelhoff will offer their services to each other's clients.

Although the association is a legal agreement, it does not have a financial element. Debenham Tewson said, however, that the agreement could lead on to further co-operation.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except when the forthcoming board meetings (indicated thus *) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
* Argyll Group	June 21	Final 6.0	Mercury Asst.	June 30	Final due
Blue Arrow	June 29	Final 0.6	MK Electric	June 24	Final 8.3
* BPB Inds	June 30	Final 8.0	* M Halifax	June 23	Final 4.5
Cable & Wire	June 24	Final 3.5	* Metal Box	June 21	Final 4.05
Davy Corp	July 2	Final 4.75	* Meyer Int	June 21	Final 4.85
Dowty	June 29	Final 3.6	* Racal	June 20	Final 2.485
* EMAP	July 18	Final 2.13	Reed Exec	July 1	Final due
ERF	June 24	Final due	Sound Diffn	June 30	Final due
Ferranti	July 1	Final 1.34	Steed & Simp	June 25	Final 2.7

Aberfoyle profits fall to £1.87m

An excellent performance in auto electrical failed to offset unsatisfactory results in textiles and farming, leaving pre-tax profit at Aberfoyle Holdings down from £2.41m to £1.87m in 1987.

Turnover fell to £7.09m (£7.93m) and profit before interest to £1.88m (£2.31m). Earnings were 2.33p (2.85p) per share.

For the current year the directors were optimistic. They expected a substantial improvement in local profitability from the Zimbabwean subsidiaries, based on operating results so far, and said prospects for the remainder of the year were encouraging.

It was impossible to form a dividend policy as the question of status of the Zimbabwean companies was not resolved.

WB Industries losses rise to £74,871

WB Industries, maker of springs and pressings and supplier of computer services, has seen its pre-tax losses increase by £797 to £74,871 for the year to end-December 1987. Turnover was virtually static at £4.44m, compared with 1986's £4.37m.

Tax rose to £56,000 (£7,000).

As in the previous year, there is no dividend.

Cranswick Mill suffers downturn

Cranswick Mill Group, maker of animal feed, marketer of livestock and grain merchant, suffered a fall in 1987–88pre–tax profits from £882,000 to £653,000, in spite of turnover ahead at £53.12m, against £42.19m.

After tax of £230,000 (£308,000) earnings per share dropped from 10.3p to 7.6p. The directors of this USM company recommend a final dividend of 3.7p for an unchanged 5.55p total.

They said the current year had seen a halt to the fall in pig prices and more recently a slight improvement. However,it was to early to assume that in the short term, pig prices would be restored to a level providing pig producers with a satisfactory return.

Pig marketing had commenced strongly and continued growthwas anticipated. Pig feed sales in the first two months had been in line with target.

FINANCIAL TIMES STOCK INDICES

	June 17	June 16	June 15	June 14	June 13	June 10	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs.	89.35	89.85	90.24	90.03	89.80	89.89	91.43	86.97	127.4	49.18
Fixed Interest	98.38	98.48	98.36	98.20	98.18	98.12	98.67	94.14	105.4	50.53
Ordinary	1472.6	1481.6	1485.6	1482.7	1458.6	1468.2	1485.6	1349.0	1926.2	49.4
Gold Mines	215.5	221.2	221.8	221.2	217.2	228.6	312.5	195.4	734.7	43.5
FT-Act All Share	956.27	962.26	965.71	963.35	950.57	955.97	965.71	870.19	1238.57	61.92
FT-SE 100	1850.1	1861.9	1869.3	1866.2	1838.8	1849.8	1869.3	1694.5	2443.4	986.9

Premier Brands

Now for the next test

When the cost cutting is over where does a food manufacturer in static markets look for growth? Richard Tomkins reports

HERE'S a question. Who makes Cadbury's Drinking Chocolate, Cadbury's Fingers, Cadbury's Smash and Cadbury's Snack?

Cadbury's?

Wrong. It is the same company that makes Marvel dried milk, Typhoo tea, Chivers jelly and Hartley's jam, to say nothing of Rob Roy sardines, Pickerings creamed sago pudding and a host of own-label products for supermarkets shelves.

Although one of Britain's biggest food manufacturers – turnover of £315m in 1987 is set to nudge £400m this year – the Birmingham-based Premier Brands has a low profile, mainly because it is an unquoted company.

But this curious animal is now being thrust into the public arena. A spate of 10 acquisitions by the company over the last 18 months, combined with the prospect of a flotation next year and the stock market's continuing obsession with brands, is prompting analysts to ask where Premier is going.

More pertinently, is the company's performance since becoming independent – profits doubled in 1987 – a consequence of cost cutting or has it established a momentum to build on its lucrative, but mature activities?

The company was formed in May 1986 following a £97m management buy-out of the food and beverage division of Cadbury Schweppes – the biggest buy-out yet in the UK food manufacturing industry. But its origins lie further back, in the diversification policies pursued by Cadbury, the confectionery maker, and Schweppes, the soft drinks company, before they merged in 1969.

Both had moved into food and beverages: Cadbury by putting its chocolate on biscuits and applying its cocoa powder technology to the production of milk and potato powders, and Schweppes through buying jam, marmalade and tea makers such as Chivers Hartley, Rose's and Typhoo.

A policy review in the 1977, however, led to a change of direction for the merged group. Cadbury Schweppes decided to concentrate on the international expansion of its core confectionery and soft drink brands.

Unloved and neglected, the food and beverage division became little more than a cash cow funding mainstream businesses. By 1985 trading profits had fallen to £6.6m, representing a paltry 2.1 per cent return on sales of £311.1m. Cadbury started looking for a buyer.

Allied Lyons and Ranks Hovis McDougall were ultimately (and unsuccessfully) to enter the bidding, but according to Paul Judge, then planning director at Cadbury Schweppes and now Premier's 39-year-old chairman, there was initially little interest in the business.

"The brands themselves may have been strong, but that in itself gave no promise of value unless they could be shown to be profitable. To those looking at the numbers, they did not look particularly profitable. But we thought we could get efficiency savings and achieve something with a cultural change."

The new Premier Brands was organised into four divisions: tea (including Typhoo and Fresh Brew), beverage and whiteners (Marvel, Coffee Compliment and the Cadbury chocolate drinks), foods (mainly Cadbury's biscuits and Smash), and Chivers Hartley (preserves, jellies, and canned fruit and vegetables).

Licence

Most brand names were bought outright, but in Cadbury's case Premier negotiated a renewable licence to use the name on non-confectionery products for 20 years. Premier is allowed to launch new biscuits and beverages under the Cadbury's brand provided they meet Cadbury Schweppes's standards of quality and presentation.

In 1987, its first full year of independence, Premier's profits of £24.9m represented a return of 7.9 per cent on sales of £315m, a margin well up to the industry average. Pre-tax profits were £18m compared with £9.2m in 1986 and £7.5m in 1985.

Partly this reflects the introduction of tough planning and budgets. "In a large company there tends to be a lot of gamesmanship between the divisions and head office, and it is very difficult for people at the centre to challenge the individual division's budget," says Judge.

"At Premier, we are so totally involved in the business that we can challenge the divisional figures. But once the budget is fixed, we give individual managers as much operational authority as we can within the agreed plan, to give them a sense of motivation and commitment."

Typically for a buy-out Premier's upsurge in profit and cash flow has so far reflected dramatic improvements in cost and asset control rather than expansion. So the question is how the momentum is to be sustained. Where is the growth potential in a seemingly uninspiring range of jams and jellies, prunes and pickles, tea and tapioca, sardines and semolina? Is Premier just milking the same cash cow with a bigger bucket?

Judge says the product lines may look mature, and the food market as a whole is more or less static. Within that market, however, there are changes in tastes and trends, and the food manufacturer's skill is in using its brand assets to exploit them.

"Every company needs products at different stages of their life cycle, some of which are mature and cash generating, and others which, if they have enough intrinsic differences, will benefit from marketing.

"Tapioca pudding may be mature, but it generates money for virtually no effort. You need products like that to fund the development and marketing of the next generation of products."

As examples of the new generation, he cites Cadbury's Chocolate Break, a just-add-water hot chocolate drink, and Typhoo One Cup, a brew-in-the-cup tea bag. Both were launched into an apparently stagnant marketplace, but are now Premier's fastest-growing products with volume increases of 40 per cent apiece last year.

Still, product launches are a slow and painful business. Judge says One Cup and Chocolate Break have taken three years to establish at a cost of nearly £20m. "You don't do that for many things," he acknowledges.

With cost savings helping to produce a cash flow running well ahead of forecasts, Premier has therefore embarked on the second plank of its strategy: growth by acquisition. Some £70m has already been spent on strengthening its hand in areas where it is not already market leader.

Six tea companies have been bought since November 1986: Melroses, The Glengettie Tea Company and Ridgways, all in speciality teas; the London Herb and Spice Company, in herbal teas; and the Jersey Trading Corporation and Ludwig Schwartz, respectively the biggest tea packers in Italy and Europe.

Meanwhile the acquisition of British Fish Canners has taken Premier into the fish sector, Newtime Food Products and Pickerings Foods have complemented preserves and canned food operations, and last February it bought the world-wide rights to the Allinson brand name on biscuits and breakfast cereals.

Ashley Ashwood

Paul Judge: different acquisitions serve different purposes

Purposes

The different acquisitions serve different purposes. In teas, they have taken Premier to the position where it is challenging Brooke Bond for market leadership. The Newtime acquisition has brought the company cereal manufacturing capacity, providing an interesting opportunity to exploit the Allinson brand. Pickerings is a neat fit with Chivers Hartley, and British Fish Canners takes the company into a new and expanding market.

Historically weak outside the UK, Premier is also pushing exports. The Jersey Trading Corporation and Ludwig Schwartz acquisitions have given it a foothold on the Continent, while the licence to the Cadbury's brand has given it an unusual opportunity to piggyback on the overseas marketing spend of Cadbury Schweppes. Cadbury's biscuits, launched in the north-east of the US last year, are apparently already achieving market share close to UK levels.

In a sense, the easy part is over. Rationalisation and cost-cutting is one thing, say the analysts, but if the company is to tell a convincing story to the City next year, it will have to demonstrate an ability to come up with new products and line extensions to existing ones. One Cup and Chocolate Break, for all their success, were instigated before the buy-out.

Judge argues that it is better to concentrate on a small number of successful launches than to let concentration suffer through a scatter attack. "Most grocery product introductions fail, and we are rather keen not to have our products in that category."

But neither is the company sitting on its hands. Late last year it launched Cadbury's Chocolate Milk Drink, a single-portion drink in a carton; Chivers Fruit Cup - chopped fresh fruit in a yoghurt-style tub – is being test-marketed in Dublin; and repackaging of Cadbury's biscuits in fun packs and single-portion packs helped boost biscuit volume by 15 per cent last year.

Anyone hoping for a re-run of the much-loved Smash Martian television advertisments therefore appears doomed to disappointment. Says Judge: "To do a decent TV marketing campaign costs about £1m these days, and any spare millions we find is going to be spent on new products, not mature ones."

Employee participation

How to avoid the pitfalls

BY MICHAEL SKAPINKER

WHY DO employees pass up the chance to participate more fully in the running of their companies?

Although some attempts to involve staff have been successful, many more team briefings, consultative committees, suggestion schemes and quality circles eventually fizzle out due to lack of interest.

Jean Neumann of the Tavistock Institute of Human Relations in London says that a review of published case studies on the subject reveals that the employees who choose not to participate vastly outnumber those who do.

"Progressive managers, academics, politicians and trade unionists consider some form of participation essential for economic progress, political equity and human advancement," she says in a paper which will be published next year. "But the human beings in those systems frequently choose not to participate. Researchers and practitioners alike assume that people will welcome the opportunity to participate once management gets out of the way, but this is not always the case."

Some employees avoid participative structures entirely by not turning up to meetings. "Other people go through the motions of participating without the substance. They show up at meetings but sit silently."

Neumann's paper was distributed to senior managers from industry and the public sector at a Tavistock seminar on employee participation earlier this month. She told the seminar that some managers concentrate on personality factors when trying to account for employees' lack of interest: their staff are simply not the sort of people who need or want more influence over their work than they already have.

In her paper and in her talk to the seminar, however, she argued that many participation schemes fail because they are poorly thought out and badly designed. The reasons why they do so, she said, include the following:

● The participation scheme has no effect on the way in which decisions are made in the organisation. There is little point in encouraging employees to participate if their suggestions and recommendations are simply ignored. "As long as the real decisions of the organisation get made via the chain-of-command, the participative effort will be perceived as less important than daily operations."

● The subjects under discussion are too distant from the employees' own work. Although employees do occasionally want to discuss the company's strategic direction, they are far more interested in matters which affect their own day-to-day jobs.

● The company's other human resources policies give the lie to the notion that the organisation values its employees. If staff feel they are badly treated or have to work in dirty surroundings, they are unlikely to be enthusiastic about employee participation.

● The idea of participation does not accord with the way the corporate hierarchy operates. This is related to the first point. In the sort of organisation where staff are rewarded for doing what they are told, they are likely to hold back when suddenly asked to participate. "To (participate) requires breaking through all one has learned about how to survive as a subordinate," said Neumann. "Participative decision-making requires talking back to the boss."

'Asking the powerless to empower others does not make sense'

● Relations between labour and management are seen as adversarial. If employees have a union which has won concessions for them in the past, they might regard the participative forum as an attempt to undermine that union or its shopfloor representatives.

● The participative effort threatens middle management. Several of those at the Tavistock seminar pointed out that middle managers frequently feel that participation schemes undermine their own authority. As middle managers are often charged with the running of the schemes, they are sometimes also held responsible for their failure.

So how can participation schemes be made to work?

Neumann and her Tavistock colleagues, along with the seminar participants, made the following points:

● The commitment to the participation scheme has to be seen to come from the top. Chief executives need to make it clear that they regard the participation scheme as vital to the success of the organisation. "If organisational leaders send mixed messages about their commitment to using participative decision-making, then they can expect mixed responses," said Neumann.

● The participation programme must be backed up by other aspects of personnel policy. For example, performance appraisal for managers should take account of the extent to which they have encouraged participation. "Reinforcement via the mechanisms associated with recruitment, selection, training, development, performance appraisal, compensation and sanctions communicates that the organisation takes participation seriously," Neumann said.

● Middle and line management must be involved in the design of the participation scheme. It is vital that they have "control over decisions which affect them as a prerequisite to their being able to use participative decision-making with subordinates," Neumann says.

"Indeed, once top management sets the direction for a participative scheme, the relevant unit leadership ought to shape the details of the scheme for their unit. Participating in making the decisions surrounding an impending change increases commitment to that change. Asking the powerless to empower others does not make sense. Middle managers and supervisors are themselves subordinates with whom participative decision-making must be used."

● Those who are going to lead participation groups need to be trained for the task.

● The parameters of the participation scheme need to be carefully laid out so that employees do not have unrealistic hopes about what can be achieved.

"Evidence exists that allowing involvement in decisions over which subordinates genuinely do not and cannot exercise control may be just as damaging as no participation at all," Neumann said.

If employees sense that both the company and their immediate superiors are committed to the scheme, they are more likely to shed their reservations about participating. As Neumann says, "The more dialogue there is between managers and workers, the easier it will be for subordinates to understand that participation pleases bosses and the easier it will be to come to terms with the required changes in attitude and behaviour."

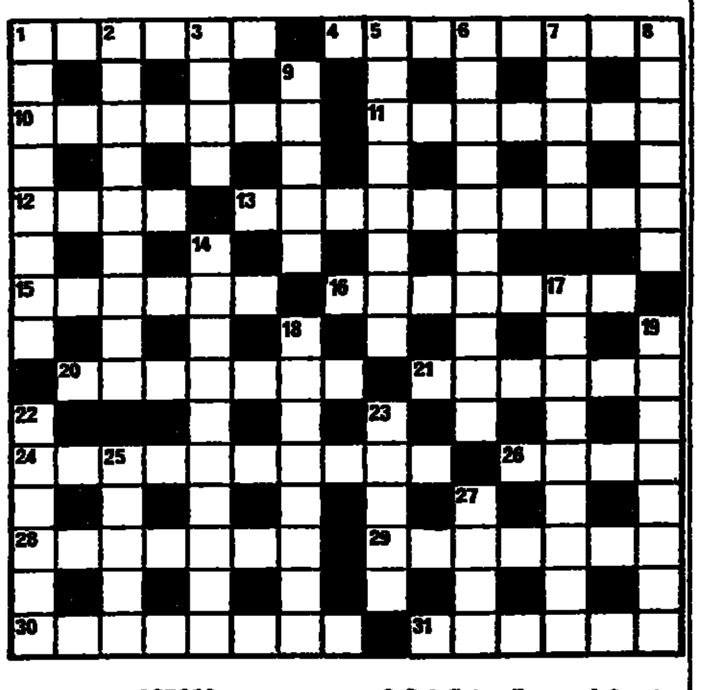
FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

JOTTER PAD

FT CROSSWORD No.6,660

SET BY TANTALUS



ACROSS

1 and 4 Maybe in great pain so start cure for heart disease (6,8)
10 Seclude goddess going after single son (7)
11 Steal household goods in America (7)
12 Cup I'd put together (4)
13 Cherry having very dark centre (10)
15 When this is made it fits exactly (6)
16 Is able to stumble on witch's spell (7)
20 Surprised to be dazed (7)
21 This month the Italian will drop in (6)
24 Body of troops with an air of indifference? (10)
26 Break a biscuit (4)
28 Strangely, I got round everybody having old cargo boat (7)
29 Channel Islands with regal surroundings perhaps, but it's cold! (7)
30 Usual judge (8)
31 Watch vegetable (6)

DOWN

1 Peculiar taste in oriental liqueur (8)
2 Go! Get soil moved for this expert (9)
3 Trim cow (4)
5 Distinguished English constable (8)
6 Feel weight is a criterion (10)
7 I read material to obtain a larva of flukes (5)
8 Odds on rodent finding fish (6)
9 Would you hear bridge player making business transactions? (5)
14 Relative attachment (10)
17 Under canvas no one comes up with an objective (9)
18 One who sews appears outspoken on terrace (8)
19 Many drink gin causing empty talk (8)
22 Girl and I go off slowly (6)
23 Horse on board has difficulties (5)
25 Worked on roof until editor is in here (5)
27 Overturned – U-boat nonetheless forbidden (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday July 2.

FT UNIT TRUST INFORMATION SERVICE

Target Trust Mngrs Ltd (contd.)

Equity Exempt	111.0	118.1xd	1.54	41503
Equity Exempt Acc	212.6	226.2	1.54	41504

Templeton Investment Management
20 Copthall Avenue, EC2R 7PA 01-588 6064

Intl Pen & Ch'ties	89.9	93.4xd	–	41505

Thornton Unit Managers Ltd
33 Cavendish Sq., London W1M 7HF 01-493 7262
Dealing 01-493 8545

American Opps	37.6	40.1	1.37	41506
(Accum Units)	38.4	41.0	1.37	41507
European Opps	42.0	44.8	1.06	41508
Far Eastern Opps	84.6	90.2	0.45	41509
(Accum Units)	84.8	90.5	0.45	41510
Golden Opps	35.1	37.4	1.19	41511
Intl Hi-Yield	43.5	46.4	4.29	41512
Japanese Opps	60.7	64.7	0.86	41513
(Accum Units)	60.7	64.7	0.86	41514
Kangaroo	31.8	33.9xd	1.38	41515
Oriental Income	28.8	30.7	2.01	41516
(Accum Units)	29.3	31.3	2.01	41517
Pacific Technology	52.7	56.2	0.00	41518
(Accum Units)	52.7	56.2	0.00	41519
Tiger	82.2	87.7	0.49	41520
(Accum Units)	83.0	88.5	0.49	41521
Fx Hi-Yield	41.2	43.9xd	8.53	41522
(Accum Units)	44.4	47.4xd	8.53	–
UK Opps	45.6	48.8	1.96	41523
(Accum Units)	47.3	50.6	1.96	41524

Touche, Remnant Unit Trust Mngt Ltd
Mermaid Hse, 2 Puddle Dock, EC4 01-248 1250

TR American Grwth	37.1	39.5	1.60	41525
TR Eur Sp Sits Acc	22.0	23.4	1.44	41526
TR Eur Sp Sits Inc	21.8	23.2	1.44	41527
TR General Growth	63.8	67.9	2.38	41528
TR Global Tech	53.0	56.4xd	0.35	41529
TR Income Growth	74.5	79.3	4.40	41530
TR Income Monthly	58.2	61.9	6.43	41531
TR Japan Growth	76.7	81.6xd	0.16	41532
TR Overseas Growth	52.5	55.9xd	1.44	41533
TR Smaller Cos.	90.7	96.5	1.45	41534
TR Special Ops	104.9	111.6	1.78	41535
TR Mgd Eq Plan Acc.	25.7	27.3	3.43	41536
TR Mgd Eq Plan Inc	25.3	26.9	3.43	41537
TR Wwde Sp Sit Acc	26.0	27.7	1.30	41538
TR Wwde Sp Sit Inc	26.0	27.7	1.30	41539

Trades Union Unit Trust Managers
100 Wood Street, London EC2 01-686 4355

TUUT Jun 1	220.0	231.6	3.09	41540

Triton Fd Mngrs. Ltd.
Royal Ldn. Hse. Colchester CO1 1RA 0206 764400

Triton General	152.6	162.4xd	1.91	41541

Tyndall Unit Trust Managers Limited
25 Bucklesbury, London EC4N 248 3399

Conv & General	62.3	66.1	6.97	41542
Accum Units	64.1	68.0	6.97	41543
Income	81.5	86.4	4.11	41544
Accum Units	82.8	87.8	4.11	41545
Smaller Co's	87.6	92.9	1.84	41546
Accum Units	88.5	93.8	1.84	41547
UK Growth	87.6	92.9	2.05	41548
Accum Units	88.8	94.1	2.05	41549
Pacific Gold Acc	55.0	58.2	–	41550

UK Unit Trust Managers Ltd
Worthing Road, Horsham, RH12 1SL 0403-48033

British Growth	61.1	65.0	1.99	41551
Technical Analysis	51.7	55.0	2.04	41552

Unit Trust Account & Mgmt. Ltd
20 Copthall Ave, London, EC2R 7PA 01-588 6064
Advisors: Henderson Crosthwaite Ltd

Friars Hse Cap	185.7	197.5	3.37	41553
Friars Hse Inc	158.2	166.5	5.21	41554

United Charities Unit Trusts
Unicorn Hse, 252 Romford Rd, E7. 01-534 5544

United Charities	174.7	186.4	4.48	41555

Vanguard Trust Managers Ltd (z)
65 Holborn Viaduct, London EC1A 2EU 01-236 3053
Dealing Line: 01-236 2468

Glenfriars	203.5	216.5	1.32	41556
(Accum Units)	208.1	221.4	1.32	41557
Far East & Gen	59.4	63.2	–	41558
(Accum Units)	59.4	63.2	–	41559
Master Portfolio	69.213	70.988	2.78	41560
(Accum Units)	71.422	73.253	2.78	41561
American & Gen	57.6	61.3	1.91	41562
(Accum Units)	59.1	62.9	1.91	41563
Growth	222.6	236.8	2.51	41564
(Accum Units)	335.6	357.0	2.51	41565
High Yield	283.3	301.4	4.26	41566
(Accum Units)	303.8	323.2	4.26	41567
Special Sits	55.9	59.5	2.16	41568
(Accum Units)	57.7	61.4	2.16	41569
Trustee	166.1	176.7xd	3.86	41570
(Accum Units)	273.7	291.2xd	3.86	41571
European Inc	38.8	41.3	0.51	41572
(Accum Units)	39.0	41.5	0.51	41573

Wardley Unit Trust Managers Ltd
99, Bishopsgate, London, EC2P 2LA 01-374 0861

American	52.9	56.5xd	1.5	41574
Intl Growth	65.8	70.3xd	0.4	41575
Income	117.8	126.0	5.4	41576
Japan Growth	193.1	206.6	0.1	41577
Pacific Perf	124.4	133.1	0.4	41578
Small Co's	145.6	156.7	1.5	41579
Technology	33.9	36.2	0.1	41580
Australia	57.9	61.9	1.3	41581
UK Trust	161.1	172.2xd	2.8	41582
European Growth	44.4	47.5	0.1	41583
Hong Kong	29.5	31.6	1.3	41584
Intl Income	20.8	22.3	8.9	41585
S'pore & Mlysn Gth	21.4	22.8xd	1.0	41586
British Winners	25.8	27.6	4.0	41587

Waverley Unit Trust Management Ltd
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	21.5	22.6	0.00	41588
Pacific Basin	24.2	25.7	0.6	41589
Can Balncd Grth	49.8	52.9	0.1	41590
Cimic Mine	97.3	101.4	8.5	41591
Penny Share	28.5	30.1	0.5	41592

Wellington Fund Mngrs Ltd
2, London Bridge, SE1 01-407 4404

Wellington Income	112.3	119.4	4.91	41593
Wellington Growth	178.2	189.5	1.30	41594

Wessex Asset Management
1 Richmond Hill, Bournemouth BH2 6HW 0202 299452

Wessex UK Grth	93.2	100.5	–	41595

Whittingdale Unit Trust Management Ltd
2 Honey Lane, London EC2V 8BT 01-606 3132

Challenger	54.3	55.0	–	41596
Short Dtd Gilt	77.6	78.6	–	41597
U S Govmnt Bond	50.530	0.531	–	41598

Williams Financial Services Limited
PO Box 515 Austin Friars, London EC2P 2HS 01-588 7511

Aust Friars W'wide	162.9	173.4	3.33	40677

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Corotrl & Equity	68.0	72.4xd	6.55	41599
Europea	48.50	51.60	3.74	–
Far Eastern	48.50	51.60	0.90	–
Growth	83.9	89.3xd	1.81	41600
Income	79.1	84.2	5.90	41601
Property Share	48.0	51.1xd	1.36	41602
Smaller Co's	61.7	65.7xd	1.79	41603

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth	89.8	93.8xd	2.72	41604

Weekly dealing day Tuesday

The Yorkshire Unit Trust Managers Ltd
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Yorkshire General	58.76	62.51xd	2.77	41605
Yorkshire Gen Inc	58.92	62.68	5.23	41606

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Int'l Exmpt June 16	419.1	427.6	0.00	40105

Cent. Bd. of Fin. of Church of England‡‡
2 Fore Street, London EC2Y 5AQ 01-588 1815

Inv Fund May 31		440.05	4.95	40251
Fxd Int Sec May 31		146.15	9.78	40252
Deposit May 31		100.00	8.25	40253

Charities Official Invest. Fund‡‡
2 Fore Street, London EC2Y 5AQ 01-588 1815

Income May 31		414.90	5.18	40258
Accum May 31		1303.35	–	40259

Edinburgh Fund Mngrs PLC
Exempt Funds

American June 15	114.1	117.2	1.94	40368
Managed June 15	110.1	114.1	2.63	40369
Japan June 16	123.2	126.6	0.17	40370
Pacific June 17	372.6	382.8	0.23	40371
Sm Jap Cos June 17	271.9	279.4	0.10	40372

Robert Fleming & Co Ltd

tAm Exempt (14/6)	314.45	318.90	1.85	40456
tGen Exempt (14/6)	112.10	114.29	3.36	40457
tJap Exempt (14/6)	606.07	617.71	0.70	40458

Foreign & Colonial Pens Mngt Ltd
Exempt Funds

Anglo-Nippon	1560.3	1640.9	–	40417
European Inc	76.8	80.9	–	40418
European Acc	79.0	83.3	–	40419
Managed Exempt	113.6	118.6	–	40420
North American	398.5	412.8	–	40421
South East Asia	212.9	223.9	–	40422

Funds in Court*

Capital Jun 9	396.1	397.0xd	2.51	40505
Gross Jun 9	183.8	184.7	6.60	40506
High Yield Jun 9	265.1	265.8	5.23	40507

* Restricted to monies under Court control

Henderson Unit Trust Management Ltd

Pension Mngd	43.7	46.1	2.24	40676

Lazard Investors Ltd ‡‡
Exempt Funds

UK Fixed Int June 13	108.1	112.4	8.2	40764
UK Equity June 13	200.8	224.0	3.6	40765
Small Co's June 13	3946.4	4367.9	1.5	40766
European June 13	342.5	362.3	1.0	40776
American June 13	257.4	265.0	2.5	40773
Far Eastern June 13	546.3	580.0	0.2	40774
Australian June 13	142.9	151.6	2.4	40775
Intl Bond June 13	190.4	195.1	8.2	40772
Ridings May 13	227.5	248.1	0.7	40767
Northumbria June 10	189.1	205.9	1.4	40768
North West June 10	218.7	237.2	0.8	40769
East Coun May 13	85.1	92.1	1.3	40770
W Midlands Mar 31	195.0	213.7	1.5	40771
Intl Ldn Wrt May 24	127.6	130.1	4.2	40779
Property June 2	2830.0	2980.0	5.4	40777
Inc Gth Pro Feb 10	1220.0	1300.0	7.7	40778

Local Authorities Mutual Invest. Tst.*
2 Fore Street, London EC2Y 5AQ 01-588 1815

Property May 31		191.85	6.70	40825
Equity May 31		671.05	3.90	40826
Fxd Int Sec May 31		101.50	9.24	40827

* Available only to Local Authorities

MIM Ltd

Mngd Pens (Acc)	54.0	57.6	0.00	41007

Murray Johnstone UT Mngmt
Murray Exempt Funds

Amer Expt June 15	38.7	40.2	2.07	41064
Euro Expt June 15	38.9	40.8	2.65	41065
Japan Expt June 15	54.4	57.1xd	0.72	41066
Managed Ex June 16	39.8	41.3	4.00	41067
S.E. Asia Expt June 15	35.3	37.0	2.60	41068
Sm Cos Expt June 15	43.2	45.3xd	2.43	41069
UK Eqty Ex June 15	36.7	38.5	3.30	41070

New Court Property Fund Managers

NC Property	176.7	186.0	–	41205

Phillips & Drew Fnd Management Ltd

PDFM Small Co Fd(7/6)	783.0	831.0	3.50	41138
Do Accum	797.0	846.0	3.50	41139
PDFM Int Exmt June 16	121.0	124.0xd	2.68	41140

J. Rothschild Fund Managers Ltd

Intl Exempt	88.24	91.55	1.62	40172

J. Rothschild Fund Managers Ltd—Contd.

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Abtrust Management Ltd

AEtna Life Insurance Co Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

Ambassador Life Assce. Co Ltd

American Life Insurance Co UK

Avon Insurance Plc

Barclays Life Assur. Co. Ltd

Black Horse Life Assc. Co Ltd

British National Financial/Services

CCL Assurance Ltd

Canada Life Group

Cannon Assurance Ltd (a)

City of Edinburgh Life Assurance

City of Westminster Assurance (z)

Clerical Medical/Fidelity International

Clerical Medical Investments Group

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Combined Insurance Co of America

Commercial Union Group

Commercial Union Group—Contd.

Continental Life Insurance PLC

Cornhill Insurance Co Ltd

Criterion Assurance Group

Crown Financial Management Ltd

Crusader Insurance Plc

Dominion Life

Eagle Star Insurance Co Ltd

Eagle Star Insur./Midland Assur.

Economic Insurance Company Ltd

Equitable Life Assurance Society

Equity & Law

FS Assurance Limited

Family Assurance Society

Federation Mutual Assurance Ltd

Framlington Life Assurance Ltd

Friends' Provident

GT Management Ltd

General Accident Linked Life Assurance(a)

Assicurazioni GENERALI SpA

General Portfolio Life Ins. Plc

Gresham Unit Assurance Ltd

Growth & Sec. Life Assce. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Benefit Society

Henderson Administration (z)

Hill Samuel Life Assur. Ltd (z)

Hill Samuel Life Assur. Ltd—Contd.

Homeowners Friendly Society

Imperial Trident Life Ltd

Interlife Assurance Co. Ltd.

Irish Life Assurance Co Plc

The LAS Group

Lancashire & Yorkshire Assce. Society

Legal & General (Unit Assur) Ltd

Legal & General (Unit Pensions) Ltd

Liberty Life Assurance Co Ltd

London A'deen & Nthn. Mtl. Assn. Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London & Manchester Group

M & G Life and M & G Pensions

MGM Assurance

Manufacturers Life Insurance Co (UK)

Merchant Investors Assurance Co Ltd

Midland Life Limited

Municipal Life Assurance Ltd

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

NM Schroder Life Assurance Ltd

National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Pioneer Mutual Insurance Co Ltd

[illegible]

Prudential Holborn Life Ltd

[illegible]

Royal Heritage Life Assurance Ltd—Contd.

[illegible]

Skandia Life Assurance Co Ltd—Contd.

[illegible]

Swiss Life Pensions Ltd

[illegible]

Johnson Fry Plc

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

UK LISTED

[illegible]

OFFSHORE INSURANCES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line

"Shorts" (Lives up to Five Years)

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
2,050	Treas. 9½pc '88	100 [illegible]	8.96	21.3	25 Apr 25 Oct	1346
2,250	Treas 11½pc 1989	101 [illegible]	9.12	18.1	22 Aug 22 Feb	1291
856	Treas 9½pc Cnv 1989	100¼	9.15	11.9	18 Oct 18 Apr	1348
500	Treas 3pc 1989	97¼	6.44	26.03	15 Nov 15 May	1327
1,400	Treas 10½pc 1989	101¼	9.10	09.04	14 Dec 14 Jun	1287
2,400	Exch. 10pc 1989	100 [illegible]	9.21	29.12	1 Feb 1 Aug	1250
2,000	Exch 11pc 1989	102 [illegible]	9.21	24.2	29 Mar 29 Sep	1256
601	Treas 5pc 1986-89	96 [illegible]	7.60	9.3	15 Apr 15 Oct	1329
535	Exch 10¼pcCv '89	102	8.69	8.4	15 May 15 Nov	1255
1,000	Treas 13pc 1990‡‡	105 [illegible]	9.23	8.6	15 Jul 15 Jan	1300
1,400	Exch 11pc 1990‡‡	102 [illegible]	9.21	6.1	12 Aug 12 Feb	1257
1,250	Exch. 12½pc 1990	105 [illegible]	9.28	17.8	22 Sep 22 Mar	1262
550	Treas. 3pc 1990	92 [illegible]	7.18	5.4	8 Nov 8 May	1325
600	Treas 8¼pc 1987-90‡‡	98 [illegible]	8.91	09.04	15 Dec 15 Jun	1340
1,000	Treas. 8pc Cv 1990 ‡‡	99½	8.16	9.5	16 Jul 16 Jan	4680
1,887	Treas. 10pcCv 1990	101½	9.23	21.3	25 Apr 25 Oct	1285
500	Exch 2½pc 1990	89¾	7.11	16.10	22 May 22 Nov	1270
2,200	Treas 11¾pc 1991	105 [illegible]	9.27	4.12	10 Jul 10 Jan	1292
400	Funding 5¾pc '87-91‡‡	99¼	8.24	1.9	5 Oct 5 Apr	1275
400	Treas. 3pc 1991	88 [illegible]	7.38	6.4	13 Nov 13 May	1326
646	Treas 10pc Cv '91 ‡‡	102 [illegible]	8.94	06.05	12 Jan 12 Jul	1286
1,550	Exch. 11pc 1991	104 [illegible]	9.26	21.3	25 Apr 25 Oct	1258
1,350	Treas. 8pc 1991	96½	9.14	04.04	10 Jun 10 Dec	1335
900	Treas 12¾pc 1992‡‡	110 [illegible]	9.24	15.5	22 Jul 22 Jan	1297
1,600	Treas 10pc 1992	102 [illegible]	9.27	15.1	21 Aug 21 Feb	1283
1,400	Treas. 8pc 1992 ‡‡	96 [illegible]	9.17	11.6	13 Oct 13 Apr	1337
1,283	Treas 10½pc Cv 1992‡‡	103¾	9.30	1.9	7 Nov 7 May	1289
500	Treas. 3pc 1992	85 [illegible]	7.38	4.11	11 Dec 11 Jun	1328
1,350	Exch 12¼pc '92	109¾	9.40	19.1	25 Feb 25 Aug	1265
1,757	Exch 13½pc 1992	113 [illegible]	9.41	17.8	22 Mar 22 Sep	1266
950	Treas. 8¼pc 1993 (40)●	38 [illegible]	9.33			–
1,850	Treas 10pc 1993‡‡	102 [illegible]	9.32	9.3	15 Oct 15 Apr	1279

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
1,000	Exch. 12pc '13-'17	127 [illegible]	9.19	6.5	12 Jun 12 Dec	1260

Undated

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
359	Consols 4pc	43 [illegible]	–	29.12	1 Feb 1 Aug	1237
1,909	War Loan 3½pc‡‡	38 [illegible]	–	25.09	1 Jun 1 Dec	1352
154	Conv. 3½pc '61 Aft.	51 [illegible]	–	24.2	1 Apr 1 Oct	1243
56	Treas. 3pc '66 Aft.	32 [illegible]	–	1.3	5 Apr 5 Oct	1324
276	Consols 2½pc	27½	–	1.6	5 Ja Ap Jul O	1238
475	Treas. 2½pc	27½	–	24.2	1 Apr 1 Oct	1315

Index-Linked

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
500	Treas 2pc IL '90(84.6)	121 [illegible]	2.21	21.12	25 Jul 25 Jan	1311
650	Do. 2pc '92‡‡ (97.8)	102¾	2.76	17.8	23 Sep 23 Mar	1312
400	Do. 2pc '94 (40)●	40¾	2.97			–
1,000	Do. 2pc '96(67.9)	139	3.18	8.2	16 Mar 16 Sep	1313
900	Do 2½pc '01 (78.3)	114¼	3.79	18.8	24 Mar 24 Sep	1316
800	Do. 2½pc '03(78.8)	111 [illegible]	3.84	13.03	20 Nov 20 May	1317
1,100	Do. 2pc '06(69.5)	112 [illegible]	3.88	13.5	19 Jan 19 Jul	1314
950	Do. 2½pc '09(78.8)	105 [illegible]	3.89	13.03	23 Nov 23 May	1318
1,350	Do. 2½pc '11(74.6)	109	3.89	18.1	23 Feb 23 Aug	1319
1,100	Do. 2½pc '13(89.2)	90 [illegible]	3.87	11.1	16 Feb 16 Aug	1320
1,600	Do. 2½pc '16(81.6)	97¼	3.84	21.12	26 Jan 26 Jul	1321
1,400	Do. 2½pc '20 (83.0)	95¾	3.77	10.3	16 Oct 16 Apr	1322
800	Do. 2½pc '24 ‡‡(97.7)	80½	3.72	10.5	17 Jan 17 Jul	1323

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for October 1987:102.9 and for May 1988:106.2

INT. BANK AND O'SEAS GOVT STERLING ISSUES

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
50	African Dv Bk 11¼ Ln 2010	105 [illegible]	10.53	3.12	4 Jan 4 Jun	–
100	Asian Dev Bk 10¼pcLn2009	101 [illegible]	10.09	19.2	24 Mar 24 Sep	–
100	Australia 13½pc 2010	126 [illegible]	10.40	23.12	28 Jan 28 Jul	–
100	Do. 11¼pcLn2015	109½	10.32	24.3	26 Apr 26 Oct	–
75	Euro Inv Bk 11pc Ln 2002	107¾	10.01	23.2	23 Mar 23 Sep	–
100	Do. 10¼pc2004	102 [illegible]	10.02	22.4	22 May 22 Nov	–
75	Int-Am Dev Bk 12¼pc 2003	117 [illegible]	10.19	7.12	8 Jan 8 Jul	–
175	Do. 9¾pcLn 2015	95 [illegible]	10.19	13.4	15 Mar 15 Nov	–
75	Mlysia 10¾pcLn 2009	96½	11.18	23.12	31 Jan 31 Jul	–
50	Sweden 13½pc Ln 2010	127 [illegible]	10.33	21.12	22 Jan 22 Jul	–
500	[illegible]	108½	15.13	26.1	1 Mar 1 Sep	–

CORPORATION LOANS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
32	Birmingham 13½pc 1989	105½	9.32	20.4	20 May 20 Nov	1828
45	Do 11¼pc 2012	110½	10.27	20.4	15 May 15 Nov	1837
40	GLC 6¾pc 1990-92	91½	9.45	15.1	15 Feb 15 Aug	2647
40	Leeds 13½pc 2006	124½	10.76	11.3	1 Apr 1 Oct	3146
5	Liverpool 3½pc Irred	33	–	1.3	1 Ja Apr Jn Oc	3169
25	LCC 6¾pc '88-90	93½	9.90	10.5	10 Jan 10 Jul	3198
26	Do. 3pc '20 Aft.	28	–	3.5	1 Mar Jn S D	3197
7	Manchester 11½pc 2007	109½	10.40	31.3	25 Apr 25 Oct	3275

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

OTHER OFFSHORE FUNDS

Wardley Fund Managers (Jersey) Ltd

Wardley Japan Trust	$13.57	14.40	–	45972
Wardley Gilt Fund	£1.12	1.16	–	45973
Wardley Prw Cap Tst.	$17.91	19.00	–	45974
Wardley Int Equity Tst.	$11.04	11.72	–	45975
Wardley Bond Tst.	$14.50	15.33	–	45976
Wardley Global Selection				
Australasia Equity	$8.29	8.81	–	45977
Canada Equity	$9.03	9.59	–	45978
Europe Equity	$7.26	7.72	–	45979
Hong Kong Equity	$9.14	9.71	–	45980
Japan Equity	$11.39	12.09	–	45981
Singapore & Malaysia	$8.61	9.14	–	45982
UK Equity	$9.52	10.10	–	45983
USA Equity	$7.69	8.16	–	45984
Deutsche Mark Bond	DM48.90	51.60	–	45985
Ecu Bond	Ecu102.30	107.95	–	45986
Japanese Yen Bond	Y982	1037	–	45987
Sterling Bond	£5.25	5.54	–	45988
Swiss Franc Bond	SFr48.48	51.16	–	45989
US Dollar Bond	$9.45	9.98	–	45990
Sterling Money Market	£5.11	5.38	–	45991
US Dollar Money Mkt.	$10.20	10.72	–	45992

Wardley Investment Services Ltd

Wardley Nikko As. Trst.	$6.83	7.25	0.74	45993
Nikko Asia Pac Trust	$10.330	10.60	1.65	45994

Wellington Fd Mngrs (Guernsey) Ltd

Inpul Growth Fd	$11.34	11.90	–	45995

World Bond Fund-SICAV

World Bond Fund NAV	$18.38	1.03	45996

Inv Ad Warburg Asset Mngt London

World Capital Gwth Fd-SICAV

World CapGwth NAV	$12.05	0.78	45997

Inv Adv Warburg Asset Mngt London

World Fund S.A.

World Fund NAV June 14	$22.61	–	45998

World Natural Resources

NAV June 16	$10.43	–	–

World Wide Growth Management

W wide (Suspended)	–	–	45999

Inv. Adv. M. & G. Inv. Mngt., Ltd, London

Yamaichi Capital Mngt (Guernsey) Ltd

Japan Mega Growth	$19.97	–	46000
Yamaichi USI Fund	$12.90	–	46001
Thai Inv Fd.	$10.21	–	–

Yamaichi Dynamic Mngt Co SA

Advanced Tech	$28.27	–	46002
Dynamic Gwth Fd	$30.73	–	46003

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	City-line

Charities Aid Fndtn Money Mngmt Co Ltd

Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461

	Gross	Net	Gr Equiv CAR	City-line
CAFCASH Call Fund	6.81	5.23	7.10	–
CAFCASH 7-day Fund	7.59	5.83	7.94	–

The Charities Deposit Fund

2 Fore Street, London EC2Y 5AQ 01-588 1815

	Gross	Net	Gr Equiv CAR	City-line
Deposit	7.45	–	7.66	–

Gartmore Money Management Ltd

61 Queen St, London, EC4R 1PH. 01-236 1425

	Gross	Net	Gr Equiv CAR	City-line
Call Fnd	6.33	4.86	6.56	–
7-day Fund	6.67	5.12	6.92	–
Dollar	6.31	4.85	6.58	–

Money Market Bank Accounts

Dartington & Co Ltd

9 The Crescent, Plymouth PL1 3AB 0752 673873

	Gross	Net	Gr Equiv CAR	City-line
Money Mkt Acc	7.00	5.37	7.31	–

Financial & General Securities Ltd

13 Lowndes Street, London, SW1X 9EX 01-235 0036

	Gross	Net	Gr Equiv CAR	City-line
H I D A £5 000-£15,000	7.17	5.50	7.49	–
H I D A £15,000+	7.625	5.875	8.05	–

Gartmore Money Management Ltd

61 Queen St, London EC4R 1PH 01-236 1425

	Gross	Net	Gr Equiv CAR	City-line
Money Mngt. Acct.	6.000	4.61	6.20	–

Girobank plc High Interest Savings

10 Milk St, London EC2V 8JH 01 600 6020

	Gross	Net	Gr Equiv CAR	City-line
£1 000-£3,999	6.0	5.3	7.07	–
£4,000-£9,999	6.5	5.5	7.33	–
£10 000+	7.25	5.85	7.80	–

Grofund Inv Mngrs/Allied Irish Bank

High Interest Cheque Account

Pinners Hall, 8-9 Austin Friars, London EC2N 2AE

	Gross	Net	Gr Equiv CAR	City-line
£1,500+	7.80	5.99	8.20	–

Humberclyde Finance Group

Chalky Ct, Winchester Rd, Basingstoke 0256 846833

	Gross	Net	Gr Equiv CAR	City-line
£250-£2,500	6.50	4.99	6.79	–
£2,500+	8.50	6.52	8.88	–

Legal & General (Money Mngrs) Ltd

355 Euston Road, NW1 3AG 01-388 3211

	Gross	Net	Gr Equiv CAR	City-line
High Int Dep Acc.	6.51	5.0	6.75	–

Lloyds Bank High Interest Cheque Account

71 Lombard St, London EC3P 3BS 01-407 1000

	Gross	Net	Gr Equiv CAR	City-line
£1 000+	5.7	4.5	6.13	–
£5 000+	6.2	4.9	6.68	–
£10 000+	6.7	5.3	7.24	–
£50,000+	7.2	5.7	7.80	–

M & G/Kleinwort Benson

M & G Hse, Victoria Rd, Chelmsford 0245 266266

	Gross	Net	Gr Equiv CAR	City-line
H.I C.A. (£2,500+)	6.875	5.28	7.20	–

Midland Bank plc

PO Box 2, Sheffield 0742 528655

	Gross	Net	Gr Equiv CAR	City-line
High Int Chq Acc.	7.17	5.50	7.49	–
£10,000+	7.82	6.00	8.18	–

M.I.M. Britannia Ltd

11 Devonshire Square EC2M 4YR 01-626 3434

	Gross	Net	Gr Equiv CAR	City-line
Cater Allen.	7.13	5.47	7.476	–

NatWest Special Reserve Account

41 Lothbury, London, EC2P 2BP 01-726 1000

	Gross	Net	Gr Equiv CAR	City-line
£2,000 to £9,999	7.25	5.50	7.33	–
£10,000 and above.	7.50	5.75	7.67	–

Phillips & Drew Trust Ltd

120 Moorgate, London EC2M 6XP 01-628 9771

	Gross	Net	Gr Equiv CAR	City-line
High Int. Chq Acc	7.375	5.66	7.71	–

Provincial Bank PLC

30 Ashley Rd Altrincham Cheshire 061-928 9011

	Gross	Net	Gr Equiv CAR	City-line
H.I C.A. (£1 000+)	8.00	6.14	8.42	–

Royal Bank of Scotland plc

42 St Andrew Sq, Edinburgh EH2 2YE. 031-557 0201

	Gross	Net	Gr Equiv CAR	City-line
Premium Account	7.25	5.56	7.58	–

Save & Prosper/Robert Fleming

28 Western Rd, Romford RM1 3LB. 0708 766966

	Gross	Net	Gr Equiv CAR	City-line
H.I B.A.	6.84	5.25	7.19	–

Tyndall & Co Ltd

29-33 Princess Victoria St, Bristol 0272 732241

	Gross	Net	Gr Equiv CAR	City-line
Demand Acc	7.29	5.59	7.61	–
Money Acc.	7.24	5.56	7.57	–
Client Plus Acc.	7.00	5.37	7.31	–

J. Henry Schroder Wagg & Co Ltd

Enterprise House, Portsmouth 0705 827733

	Gross	Net	Gr Equiv CAR	City-line
Special Acc.	5.75	4.41	6.00	–
£10,000 and above	6.00	4.61	6.28	–

Western Trust & Savings Limited

The Moneycentre, Plymouth PL1 5SE 0752 224141

	Gross	Net	Gr Equiv CAR	City-line
High Int Chq Acc	7.87	6.04	8.24	–

Wimbledon & South West Finance Co Ltd

114 Newgate St, London EC1 7AE 01-606 9485

	Gross	Net	Gr Equiv CAR	City-line
High Int Cheque Acc.	8.30	6.37	8.70	–

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS – Contd

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
3,795.0	Tenneco $5	25¼	$3.04	6.5	24.5	Mr Jn Sp Dc	4194
4,708.8	Texaco $6.25	27⅝	♦$3.00	5.9	28.4	Mr Je Se De	4200
5,122.2	Time Inc. $1	53⅞	$1.00	1.0	24.01	Mr Ju Se De	4234
1,484.9	Transamerica $1	19½	$1.84	5.2	31.3	Ja Ap Jy Oc	4289
537.0	Transworld Corp $5	10¼	20c	1.1	11.11	Fe My Au No	–
593.8	TRINOVA Corp	17⅞	56c	1.8	9.11	Mc Je Se De	4309
5,375.8	USX $1	17⅝	$1.20	3.7	30.10	Mr Je Se De	4380
2,852.8	Utd. Technologies	21⅛	$1.60	4.0	19.5	Mr Ja Sp Dc	4381
6,161.4	US West	30¼	$3.52	6.3	13.4	Fb My Ag No	–
4,595.5	Waste Management $1	20⅞	48c	1.3	17.5	Ap Jly Oc Jan	4439
1,081.8	Whirlpool $1	15½	$1.10	3.9	25.01	Mr Jn Se De	–
1,962.1	♥Woolworth $3½	29¾	$1.64	3.0	19.11	Mr Je Se De	4540

CANADIANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
–	ABM Gold Corp	173p	–	–	–	–	–
–	♥Abbot Energy Corp	24½p	–	–	–	–	–
712.8	♥Amer. Barrick Res	12¾	–	–	–	–	–
–	American Lightwave	7p	–	–	–	–	–
–	♥Armeno	23p	–	–	–	–	–
–	Augmitto Explo	67p	–	–	–	–	–
1,299.5	Bk. Montreal	12½	$2.00	7.1	9.5	Fb My Ag Nv	–
1,028.3	Bk. Nova Scot.	628p	76c	5.4	28.3	Ja Ap Ju Oc	–
4,593.2	BCE	17⅛	$2.44	6.3	6.6	Ap Jy Oc Ja	–
266.3	♥Bow Valley	643p	♦40c	2.7	15.12	May Nov.	–
831.7	♥Brascan	12¼	88c	3.2	28.10	Ja Ap Jy Oc	–
58.3	♥Breakwater Res.	260p	10c	1.7	–	–	–
1,662.9	Can. Imp Bank	10⅝	$1.16	4.8	29.12	Fe My Au No	–
3,220.1	Can. Pacific	10⅝	60c	2.5	28.3	July Jan.	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- ♠ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending s Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate. v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ... γ	70	.....
Craig & Rose £1.. γ	668	−2
Finlay Pkg. 5p.... γ	80	.....
Holt (Jos) 25p..... γ	£11⅝	.....

IRISH

Nat. 9¾% 84/89.	£100½	−¼
9pc Cap Ln. 1996.	£90¾	.....
Fin. 13% 97/02...	£119	.....

Arnotts.............. γ	375	.....
CPI Hldgs........... γ	118	.....
Carrol Inds. .... γ	152	.....
Hall (R. & H.).......	160	−1
Helton Hldgs .... γ	49	+1
Irish Ropes.......... γ	165	.....
Unidare............. γ	410	−10

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp.	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit Aerospace	35
Brit. Telecom	22
Burton Ord.	21
Cadburys	32
Charter Cons.	38
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen	25
Lex Service	33
Lloyds Bank	26
Lucas Inds.	50
Marks & Spencer	17
Midland Bk	37
Morgan Grenfell	30
NEI	10
Nat West Bk	52
P & O Dfd	52
Plessey	16
Polly Peck	38
Racal Elect.	32
RHM	38
Rank Org Ord	64
Reed Intnl	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	68
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45

Property	
Brit Land	30
Land Securities	52
MEPC	52
Peachey	50

Oils	
Brit. Gas	15
Brit Petroleum	24
Burmah Oil	58
Charterhall	3
LASMO	40
Premier	7½
Shell	95
Ultramar	26

Mines	
Cons Gold	95
Lonrho	28
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

DIARY DATES

FINANCIAL

TODAY

COMPANY MEETINGS-
Centroway Inds., Midland Hotel, New Street, Birmingham, 10.00
Hyman, Belfry Hotel, Stanley Road, Handforth, Wilmslow, 12.00
Ratners, The Churchill Hotel, 30 Portman Square, W., 12.00
Stratton Inv. Tst., 8 Bishopsgate, E.C., 11.45
Viking Resources Tst., The Dorchester Hotel, Park Lane, W., 12.30
BOARD MEETINGS-
Finals;
Anglo United
BET
Chamberlain Phipps
Korea Europe Fund
LandLeisure
Microlec Group
ML Hldgs
Powerscreen Intl
Shelton (Martin) Group
Tysons (Contractors)
Vibroplant
Volex Group
Whitecroft
Wyndham Group
Interims;
Company of Designers
Lovell (Y.J.) Hldgs.
Unit Group
DIVIDEND & INTEREST PAYMENTS-
Boustead 0.4p
Credit National Gtd Fltg. Rate Nts. 1995 £113.17
Enron Corp. 62cts
Essex Water 3½% Perp. Deb. 1.75pc.
Do. 4% Perp Deb 2pc
Do. 5% Perp Deb. 2.5pc
Do. 5% Deb 86/91 2.5pc
Do. 7% Deb. 86/88 3.5pc.
Do. 7% Deb. 87/89 3.5pc.
Do. 7¾% Deb 91/93 3.875pc.
Do. 8% Deb 91/93 4pc.
Do. 10% Deb 92/94 5pc.
Do. 10½% Deb 94/96 5.25pc.
Ind Credit & Inv. Corp of India Fltg. Rate Nts. 1991 $215.19
Keppel Corp S$0.05
M & G American Recovery Fund 2.05p
M.Y. Hldgs. 1.05p
Marine Midland Banks Fltg. Rate Sub. Nts. 2009 $182.78
Narborough Plantations 0.5p
Nationwide Bldg. Soc. Fltg. Rate Nts. 1996 £33.89
Riggs National Corp Fltg. Rate Sub. Nts. 1996 $184.41
Suter 3.5p
TR Portfolio Selection Fund Ptg. Red. Prf. 14p
Taiwan Power Fltg. Rate Nts. 1992 $430.38
Technoten SA Fr2.6
Tomkinsons 3p

TOMORROW

COMPANY MEETINGS-
English National Inv., 3 Finsbury Avenue, E.C., 12.00
Epicure, RAC Club, Pall Mall, 11.00
First Charlotte Assets Tst., 1 Charlotte Square, Edinburgh, 12.30
Gartmore American Securities, Gartmore House, 16-18 Monument Street, E.C., 2.45
Hestair, The Dorchester Hotel, Park Lane, W., 12.00
Holt (Joseph), Melville Hotel, Stetford, Manchester, 12.00
Land Securities, The Mayfair Theatre, Stratton Street, W., 12.00
Maxwell Communication Corp., National Westminster Hall, 25 Old Broad Street, E.C., 12.00
Runciman (W.), 52 Leadenhall Street, E.C., 12.00
Sovereign Oil & Gas, Baltic Exchange, 14-20 St Mary Axe, E.C., 10.30
BOARD MEETINGS-
Finals;
Amber Industrial Hldgs.
Argyll
Blacks Leisure
Burndene Invs.
Cape Inds.
Freshbake Foods
GEI Intl.
Hambros
Meyer Intl
Reliance Security Group
Sterling Inds.
Wellman
Interims;
Aukett Associates
Slick
Firstland Oil & Gas
Lookers
Watson & Philip
DIVIDEND & INTEREST PAYMENTS-
Abbey National Bldg. Soc. Fltg. Rate Nts. 1991 £220.39
Bank fur Arbeit und Wirt. Sub. Fltg. Rate Nts. 1999 $416.2
Bertrams Inv. Tst. 0.75p
Citicorp Fltg. Rate Sub. Cap. Nts. 19/6/96 $177.29
Italy (Rep. of) Fltg. Rate Nts. 2000 $406.67
Limited Inc. 6cts.
Lone Star Inds. 47.5cts.
Midland Bank Und. Fltg. Rate Prim Cap. Nts. $422.55
Spain (Kingdom of) 12% Ln. 1988 6pc.
Tharsis Co. 6p
United Mizrahi Int. Inv. gtd. Fltg. Rate Nts. 1989 $422.55

WEDNESDAY JUNE 22

COMPANY MEETINGS-
Brixton Estate, 22-24 Ely Place, E.C., 12.00
Dewey Warren Hldgs., Watermens Hall, 18 St Mary at Hill, E.C., 12.00
Forward Grp., Hedging Lane, Dosthill, Tamworth, Staffs, 12.00
The Glaves Grp., Brown's Hotel, Dover Street, W., 12.00
Haden MacLellan Hldgs., 100 Fetter Lane, E.C., 12.00
Harrisons & Crosfield, 14-20 St Mary Axe, E.C., 11.15
Hawker Siddeley, The Dorchester Hotel, Park Lane, W., 12.00
Moss Bros., 21-26 Bedford Street, Covent Garden, W.C., 12.00
Parambe, 125 High Holborn, W.C., 12.00
Securities Tst. of Scotland, 29 Charlotte Square, Edinburgh, 12.30
Stylo, Stylo House, Harrogate Road, Apperley Bridge, Bradford, 10.00
Sunderland & South Shields Wtr., 29 John Street, Sunderland, 12.00
BOARD MEETINGS-
Finals;
Bosse Massimi Pollitt
Booth Inds.
Brookmount
Cable & Wireless
Charter Cons.
Caledonia Invs.
Galamar Group
Hunting Group
Kewill Systems
Mountview Estates
Salvesen (Christian)
Staveley Inds.
Zambia Copper Mines
Interims;
Anglia Television
Bankers Inv. Tst.
Greenwich Resources
Lee (Arthur) & Sons
Spice
Wilding Office Equipment
DIVIDEND & INTEREST PAYMENTS-
Banca Serfin SNC Sub. Fltg. Rate Ser. Nts. 85/89 $170.29
English National Inv. 7.45p
Do. Dfd. 5p
India (State Bank of) Fltg. Rate Nts. 1997 $418.1
Centrax Hldgs. 10% 1st Mtg. Deb. 2028 5pc.

THURSDAY JUNE 23

COMPANY MEETINGS-
FR Group, Painters' Hall, 9, Little Trinity Lane, E.C., 12.00
Fergebrook, 60, Fleet Street, E.C., 9.00
Grampian Television, Television Studios, Queen's Cross, Aberdeen, 12.00
Harris Queensway, 78, High Street, Orpington, Kent, 10.00
Plumb, Waldorf Hotel, Aldwych, W.C., 12.00
Scottish Mortgage & Trust, 3, Glenfinlas Street, Edinburgh, 11.00
Select Appointments, 30, Furnival Street, E.C., 9.30
Slingsby (H.C.), Victoria Hotel, Bridge Street, Bradford, 10.30
Trimoco, The Great Eastern Hotel, Liverpool Street, E.C., 12.00
Underwoods, Glaziers Hall, 9, Montague Close, S.E., 10.00
Yule Catto, Chartered Insurance Institute, 20, Aldermanbury, E.C., 12.00
BOARD MEETINGS-
Finals;
BTP
Drummond Group
Elsburg Gold Mining
ERF Hldgs.
Greycoat Group
Melville Street Invs.
Penny & Giles Intl.
Randfontein Estates Gold Mining
Rothmans Intl
Western Areas Gold Mining
Interims;
Burns Anderson
Dundee & London Inv. Tst.
Economic Forestry Group
Grainger Tst.
LPA Inds.
Macarthy
Raeburn Inv. Tst.
River & Mercantile American Cap.
DIVIDEND & INTEREST PAYMENTS-
Anglia Bldg. Soc. Fltg. Rate Nts. 1996 £110.19
Banco Espir Santo E Com. de Lisboa Fltg. Rate Nts. 1990 $416.2
City of Oxford Inv. Tst. 1.325p
GAM Worldwide Inc. Vtg. Red. 24θcts.
Hall Eng. 5.55% Prf. 2.775p
Moss Bros 7.7p
National & Provincial Bldg. Soc. Fltg. Rate Nts. 1998 £110.76
Scandinavian Fin. BV Fltg. Ser. Nts. 1993 $409.84
Scottish National Tst. 6% Prf. 2.1p

FRIDAY JUNE 24

COMPANY MEETINGS-
Associated British Foods, Connaught Rooms, Great Queen Street, W.C., 11.00
Bilton (Percy), Bilton House, Uxbridge Road, W., 12.00
Edinburgh Inv. Tst., Caledonian Hotel, Princes Street, Edinburgh, 12.00
Gee (Cecil), Connaught Rooms, Great Queen Street, W.C., 12.00
Govett Oriental Inv. Tst., 4, Battle Bridge Lane, S.E., 10.45
Hunter, Malden House, Radlett Road, Park Street, St. Albans, Hertfordshire, 11.00
TDS Circuits, Whitebirk Estate, Blackburn, 3.00
BOARD MEETINGS-
Finals;
Bulgin (A.F.)
Campbell & Armstrong
REA Hldgs.
Interims;
First National Finance Corpn.
DIVIDEND & INTEREST PAYMENTS-
American Cyanamid 30cts.
Black & Decker Corp. 10cts.
Comac Grp 1.25p
East Surrey Water A 7% (Fmly 10%) Max. 3.5p
Do. B 4.9% (Fmly 7%) Max. 2.45p
Do. C 3.5% (Fmly 5%) Max. 1.75p
Do. 3.5% (Fmly 5%) Prf. 1.75p
Do. 4.2% (Fmly 6%) Red. Prf. 85/90 2.1p
Do. 5.6% (Fmly 8%) Red. Prf. 92/94 2.8p
First Charlotte Assets Tst. 0.08p
Grampian TV NV A 2.07p
Hercules Inc. 48cts.
Holt (Joseph) 15p
Korea Exchange Bank Fltg. Rate Nts. 1993 $416.2
Manchester Corp. 4% Cons. Irrd. 2pc.
Do. 3% Red. Cons. 1928 1.5pc.
Metropolitan Water Kent Wtr. Wrks. 3% Deb. 1.5pc.
Miller and Santhouse 1.25p
Padang Senang Hldgs. 1.35p
Rand Mines Props. 7.22456p
UPL Grp. 1.405p
Ulster TV 2p
United Kingdom Fltg. Rate Nts. 1996 $169.31

SATURDAY JUNE 25

DIVIDEND & INTEREST PAYMENTS-
TSB Gilt Fund B Ptg. Red. Prf. 1p
Thornton (G.W.) Hldgs. 1.75p

Trade Fairs and Exhibitions: UK

Current
Royal Highland Show (031-333 2444) (until June 22)
Exbn & Trade Centre, Edinburgh

June 21-23
European Computer Communications Conference and Exhibition - NETWORKS (01-868 4466)
Wembley Centre

July 4-7
Royal Show (0203-555100)
National Agricultural Centre, Kenilworth

July 7-9
Financial Times Centenary Exhibition and Events: Personal Investment 1988
Queen Elizabeth II Conference Centre, Westminster.

July 7-10
Antiques Fair (04447 2514)
Corn Exchange, Brighton

July 8-16
World Wine Fair (including gourmet food section) (01-729 0677)
Bristol Exhibition Centre

July 15-16
Cash and Carry Fashion Fair (01-727 1928)
Kensington Town Hall

July 17-21
Gift trade fair (0282 867153)
Harrogate

July 19-24
British Music Fair (0753 41963)
Wembley Exhibition Centre

July 21-28
Trade Opportunities in China (seminar on July 22)(0772 203020)
Preston Guild Hall

July 28-30
Sales solutions- The Event Exhibition (0543 255253)
NEC, Birmingham

Overseas Exhibitions

June 20-23
Pacific Transport Freight Distribution Exhibition and Conference (01-642 7688)
Singapore

June 21-24
International Jewellery and Gemstones Fair - INTER-JEWEL (02403 29406)
Hong Kong

June 25-July 1
Intrnational Chemical Fair - INCHEBA (01-378 7778)
Bratislava

June 28-July 1
Food Fair (01-499 0877)
Sao Paulo

July 7-10
Money Show (01-499 7774)
Kuala Lumpur

July 8-14
Hospital Exhibition (01-439 4452)
Shanghai

July 20-21
Cologne Fashion Fairs International Trend Show (01-930 7251)
Cologne

Business and management conferences

June 21-22
Financial Times/National Bank of Hungary: Doing business with Eastern Europe (01-925 2323)
Budapest

June 22
The Economist Conference Unit: Training and developing Britain's managers - the management charter initiative and its implications (01-839 7000)
Royal Lancaster Hotel, London

June 23
The Chartered Institute of Management Accountants: Management of company turnaround (01-637 2311)
63 Portland Place, London

June 23
Coopers & Lybrand: Strategy '92 – preparing for the single European market (0734 597111)
Reading

June 23
Peat Marwick McLintock: Corporate publishing - overhead or opportunity? (01-236 8000)
Queen Elizabeth II Conference Centre, London

June 23-24
The Royal Institute of International Affairs: China- World power or regional giant (01-930 2233)
Chatham House, London

June 24
HS Conference: The tenth annual rent review conference (01-935 2382)
Cafe Royal, London

June 27-28
Financial Times: Telecommunications and the European business market (01-925 2323)
Hotel Inter-Continental, London, W1.

June 30-July 1
Frost & Sullivan: Business intelligence - how to gain and retain a competitive advantage (01-730 3438)
London

July 1-3
CRAC Insight Programme: Insight into entrepreneurship (0223 460277)
Bristol University

July 5-6
Financial Times Conferences : The Financial Services Act – Legislation in action; Black Monday - Nine months after (01-925 2323)
Hotel Inter-Continetal, London

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes in the details published

PARLIAMENTARY

TODAY

Commons: Criminal Justice Bill, completion of remaining stages.
Motion on regulations covering *the Wireless Telegraphy* (Broadcast Licence Charges and Exemption) (Amendment No 2) Order.
Lords: Malicious Communications Bill, third reading.
British Steel Bill, committee.
Motor Vehicles (Wearing of *Rear Seat Belts by Children*) Bill, committee.

Select committee: Public Accounts: subject, urban development corporations. Witnesses: officials from the Department of Environment and the Merseyside Development Corporation and the London Docklands Development Corporation. (Room 16, 4.45 p.m.)

TUESDAY

Commons: Remaining stages of the School Boards (Scotland) Bill.
Motion on financial assistance to opposition parties.
Lords: Scotch Whisky Bill, third reading.
Education Reform Bill, report.
Select committees: Trade and *Industry: subject, petrol retailing.* Witness: Comoco. (Room 15, 10.30 a.m.)

Employment: subject, Legionnaires Disease in the working environment. Witnesses: Health and Safety Commission and Guy's Hospital. (Room 20, 4 p.m.)

Committee on a private bill: City of London (Spitalfields Market). (Room 5, 11 a.m.)

WEDNESDAY

Commons: Opposition debate on "Chaos in the Government's housing and planning policies."
Motion on EC document on European Community telecommunications policy.
Opposed private business after 7 p.m.
Lords: Education Reform Bill, report.

Protection of Animals (Amendment) Bill, report.

Horses, Ponies and Donkeys Bill, committee.

Environment and Safety Information Bill, committee.

Select committees: Environment: subject, toxic waste. Witness: Chemical Industries Association. (Room 21, 10.30 a.m.)

Trade and Industry: subject, trade with eastern Europe. Witnesses: DTI officials (Room 15, 10.45 a.m.)

Energy: subject, electricity privatisation. Witness: Electricity Council. (Room 8, 11 a.m.)

Treasury and Civil Service Sub-committee: subject, Civil Service management reform: The Next Steps. Witnesses: Mr Michael Heseltine MP and Mr John Garrett MP. (Room 19, 11.30 a.m.)

Education Science and Arts: *subject, educational* provision for the under-fives. Witnesses: Association of Metropolitan Authorities and National Association of Head Teachers (Room 6, 4.15 p.m.)

Agriculture: subject, Chernobyl, *the Government's* reaction. Witnesses: Mr John Selwyn Gummer, Minister of State for Agriculture; Mr Ian Grist, Welsh Under-Secretary, and Lord Sanderson of Bowden, Scottish Office. (Room 20, 4.15 p.m.)

Employment: subject, new training programme. Witness: Mr Norman Fowler, Employment Secretary. (Room 8, 4.15 p.m.)

Public Accounts: subject, Customs and Excise and Inland Revenue appropriation accounts. Witnesses: Mr A.M. Battishill, chairman of the Board of Inland Revenue, and Mr J.B. Unwin, Chairman of Customs and Excise. (Room 16, 4.15 p.m.)

Transport: subject, airline competition: *CRS. Witnesses:* European Commission, Air Europe, Air UK; Dan Air. (Room 17, 4.15 p.m.)

Treasury and Civil Service: subject, international monetary co-ordination. Witnesses: Bank of England officials (Room 15, 4.30 p.m.)

Committees on unopposed private bills: Eastbourne Harbour and British Rail No 2. (Room 9, 4 p.m.)

Committee on a private bill: City of London (Spitalfields Market). (Room 5, 10.30 a.m.)

THURSDAY

Commons: Opposition debate on deprivation and disadvantage in Wales.

Motions on the Building Societies (Commercial Assets and Services) and (Limits on Commercial Assets) Orders.

Private business after 7 p.m.
Lords: Housing (Scotland) Bill, report.

Access to Medical Reports Bill, third reading.

Select committee: Committee on a private bill: City of London *(Spitalfields Market).* (Room 5, 10.30 a.m.)

FRIDAY

Commons: Debate on policing in London.
Lords: Firearms Bill, second reading.

Question to Government on response to report of National Audit Office on urban development corporations.

Rentals

Company Notices

Art Galleries

Contracts & Tenders

Legal Notices

Appointments

WORLD STOCK MARKETS

AUSTRIA

1988 High	Low	June 17	Price Sch
2,060	1,850	Creditanstalt	2,000
2,880	2,600	Goesser	2,660
10,100	9,350	Interunfall	10,020
7,440	4,660	Jungbunzlauer	7,080
384	340	Laenderbank	367
675	632	Perlmooser	650
123	76	Steyr-Daimler	81
695	555	Veitscher Mag	614

BELGIUM/LUXEMBOURG

1988 High	Low	June 17	Price Frs.
2,930	2,490	B.B.L	2,625
13,900	13,500	Banque Gen. De. Lux	13,500
13,300	13,000	Bank Intl. a Lux	13,000
10,200	6,700	Bekaert B	10,125
6,090	4,200	Ciment CBR	6,000
250	123	Cockerill	240
9,510	4,800	Colruyt	9,510
5,000	2,920	Delhaize	4,395
4,900	4,105	EBES	4,300
870	470	Fabrique Nat	770
1,650	830	GB Inno BM	1,306
3,275	2,210	GBL(BruxL)	3,210
5,740	4,150	Generale Bank	5,030
8,500	5,730	Gevaert	7,150
8,140	5,800	Hoboken	8,100
3,875	3,250	Intercom	3,460
4,300	3,150	Kredietbank	4,300
12,000	10,600	Pan Holdings	11,500
12,625	8,300	Petrofina	12,625
1,545	1,264	Raffinerie Tirle	1,396
6,000	4,100	Royale Belge	5,200
8,530	4,500	Soc Gen Belge	4,600
13,450	8,090	Sofina	13,450
13,300	9,090	Solvay	13,250
200	80	Stanwick Intl	80
7,090	5,070	Tractebel	6,800
9,200	6,910	UCB	8,900
5,300	3,590	Wagons Lits	5,210

DENMARK

1988 High	Low	June 17	Price Kr
540	405	Baltica Hldgs	510
1,060	733	Carlsberg	1,000
259	216	Cop Handelsbank	247.5
373	261	D. Sukkerfab	354
359	306	Den Danske Bank	352
200	162	East Asiatic	194
219	167	GNT Holding	210
647.5	572	I.S.S. B Systems	620 xc
430	362	Jyske Bank	426
204	134	Novo Inds	204

FINLAND

FRANCE

JAPAN

FRANCE (continued)

GERMANY

ITALY

1988 High	Low	June 17	Price Lira
2,365	1,900	Banca Com'le	1,970
289	149	Bastogi-IRBS	268
6,500	3,290	CIR	5,130
1,460	1,000	Credito Italiano	1,030
10,070	7,602	Fiat	8,920
94,050	77,900	Generali Assicur	84,300
108,200	92,675	Italcementi	102,250
4,200	2,710	La Rinascente	3,895
1,700	1,010	Montedison	1,685
11,505	7,350	Olivetti	9,740
4,600	3,640	Pirelli Co	4,290
3,360	1,870	Pirelli Spa	2,624
2,420	1,980	Saipem	2,000
2,500	1,621	Snia BPD	2,150
20,900	14,570	Toro Assicur	17,820

NETHERLANDS

1988 High	Low	June 17	Price Fls.
56.4	39	ACF Holding	49.00
83	57.3	AEGON	83.00
77	58.4	Ahold	76.50
121.9	85.1	AKZO	120.30
42.2	36.6	ABN	41.10
57.1	36.9	AMEV	53.00
71.9	55.2	AMRO	70.90
103	78.5	Borsumij Wehry	100.50
49.8	39.6	Buehrmann-Tet	49.00
216.5	187.5	Dordtsche Petroleum	213.50
58.2	39.5	Elsevier Ndu	57.70
27.1	15.8	Fokker	25.20
35.9	22.5	Gist Brocades	33.10
138.8	114	Heineken	138.80
43.8	25	Hoogovens	43.20
54	35	Hunter Douglas	53.50
17	12	IHC Caland	15.00

NORWAY

SPAIN

SWEDEN

1988 High	Low	June 17	Price Kroner
199	144	AGA B (Free)	192
382	252	Alfa-Laval B (Free)	381
395	286	ASEA B (Free)	371
231	183	Astra B (Free)	195
211	151	Atlas Copco A (Free)	209
259	192	Electrolux B (Free)	259
262	154	Ericsson B (Free)	252
193	140	Esselte B (Free)	190
385	260	Mo Och Dom B Free	381
176	120	Pharmacia B (Free)	169
218	151	Saab-Scania B Free	214
225	145	Sandvik B (Free)	208
157	136	Skandia (Free)	155
174	137	Skandia Intl	157
149	120	Skan Enskilda	144
281	227	SKF B Free	280
428	266	St. Kopparb'g A Free	427
384	242	Svka Cell'sa B (Free)	384
124	92	Svka Handelsbn.	124
140	82	Sw. Match B (Free)	138
357	273	Volvo B (Free)	344

SWITZERLAND

1988 High	Low	June 17	Price Frs.
8,420	5,375	Adia Intl	8,420
848	450	Alusuisse	835
3,200	2,400	Bank Leu	2,700
2,405	1,550	Brown Boveri	2,330
3,290	2,400	Ciba Geigy	3,290
2,180	1,590	do. (PtCts)	2,180
2,620	2,185	Credit Suisse	2,460
3,275	2,825	Elektrowatt	3,010
1,040	600	Fischer (Geo.)	1,015

SOUTH AFRICA

AUSTRALIA

HONG KONG

SINGAPORE

CANADA

TORONTO

Closing prices June 17

MONTREAL

Closing prices June 17

OVER-THE-COUNTER

Nasdaq national market, 2pm Prices June 17

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INDICES

NEW YORK DOW JONES

CANADA

NEW YORK ACTIVE STOCKS

Closing Prices June 17

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
26	14	AAR s	.36	1.4	21	255	25¾	25⅛	25⅜	+ ⅛
12⅛	8¾	ACMIn n	1.19e	10.		485	11⅝	11½	11½	− ⅛
12⅛	10¾	ACMSc n	1.26	11.		663	11½	11⅛	11⅜	
10¼	10	ACMSp n				326	10	10	10	
27¾	10½	AOS			21	1043	27¾	27⅜	27⅜	− ¼
7⅞	2⅝	AMCA				16	4	3⅞	4	
8⅝	3¼	AM Intl				2691	3¾	3⅝	3¾	+ ⅛
29⅛	17	AM Int pf	2	11.		48	18⅞	18⅝	18⅝	+ ⅛
65½	26¾	AMR			12	3053	47⅜	46¾	47	− ⅝
11⅛	5¾	ARX			11	149	8¼	8⅛	8⅛	− ¼
72⅞	40½	ASA	3	6.7		472	45	44⅝	45	+ ¼
22⅛	9½	AVX			13	119	17⅝	16⅞	17½	+ ⅝
66⅝	40	AbtLab	1.20	2.7	16	7333	45¼	44⅞	45	− ⅜
28	15⅜	Abitibi g	1			250	18⅞	18½	18½	− ⅛
16¾	8½	AcmeC	.40	3.4		259	12	11¾	11¾	− ¼
10½	6⅝	AcmeE	.32b	4.7	21	2	6⅞	6⅞	6⅞	
20	14⅛	AdaEx	3.05e	19.		148	16⅛	15¾	15⅞	− ⅛
18¼	8⅞	AdamMl	.24	1.5	13	55	15⅞	15½	15½	− ⅛
24⅞	7½	AMD				3886	15⅞	15½	15¾	+ ⅛
58¾	29¼	AMD pf	3	7.2		22	42	41¾	41¾	− ½
11⅞	4⅝	Adobe			12	235	8	7⅞	7⅞	
20¼	16¼	Adob pf	1.84	10.		11	18⅛	18	18	− ⅛
21¾	17½	Adob pf	2.40	11.		3	20⅞	20⅞	20⅞	+ ⅛
13⅛	5⅞	Advest	.12	1.8	9	92	6⅞	6⅝	6⅝	− ⅛
64¼	39½	AetnLf	2.76	6.1	6	3888	45½	45⅛	45⅛	− ¼
99	90¼	AetL pfC	5.49e	5.9		2	92	92	92	− 1
63½	41	AffPub	.40b	.7	50	283	58⅞	58⅛	58½	
23¾	13	Ahmans	.88	5.5	11	3030	16¼	15¾	15⅞	− ¼
4⅝	1¾	Aileen				753	3⅛	3¼	3¼	− ⅛
53⅞	29	AirPrd	1.20	2.4	14	4311	51¼	49¼	49½	− ¾
34½	11⅛	AirbFrt	.60	3.2	25	153	19	18⅝	18¾	− ¼
18½	6¾	Airgas			17	92	13⅝	13⅜	13½	− ⅛
[illegible]										

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NYSE COMPOSITE PRICES

Continued from previous Page

AMEX COMPOSITE PRICES

3pm Prices June 17

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OVER-THE-COUNTER

Nasdaq national market, Closing Prices June 17

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day.

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Looking for G7 reassurance on rising inflation

BY JONAS CROSLAND

TWO VIEWS are emerging from the current G7 summit being held in Toronto. For the finance ministers there, growing concern about inflation appears - on the surface anyway - to be well down the agenda, while such august bodies as the OECD and IMF have made plain their own view that the pace of global economic growth, and the consequent threat to inflation should be first on the list for discussion

Market sentiment tends to agree with the latter view, and while it is not usual for finance ministers to be *seen* acting in response to market forces, the recent rise in interest rates in major financial centres seems likely to gain formal endorsement some time this week.

What has shifted the body of opinion away from economic expansion being healthy to inflationary? Each G7 nation has its own peculiar problems. The US has seen one of its longest peacetime periods of economic growth, but is still saddled with the twin budget and trade deficits. The UK has a deteriorating current account deficit - which prompted Mr Nigel Lawson, the Chancellor, to admit last week that a £4bn shortfall for this year is much too optimistic - while the Treasury runs a budget surplus. Japan has just recorded its highest growth rate for ten years, based on the last quarter, while the West German Bundesbank is determined not to see a lower D-Mark allowing imported inflation. It also has over-target money supply growth.

West Germany is widely expected to increase its key sale and repurchase rate when details of tomorrow's tender are announced. Japanese Treasury bill rates have already been discreetly nudged up, while interbank rates in London will open this morning already discounting a half point rise in base rates.

Tomorrow sees the release of US consumer prices for May, and although there is expected to be little change from April's year-on-year increase of 3.9 p.c., the recent drought in the key farming areas in the mid-west is giving cause for concern. Food prices are an important component in the compilation of overall price data, and a limit up movement on recent trading days in US grain futures may well be a harbinger of further upward pressure.

Looking to the Toronto summit, both the critics of inflation and the disciples of Reaganomics - which led directly to the rise in US economic growth pulling the world out of recession - have a valid point. At the moment, the budget deficit in the US is only sustainable while the US enjoys the confidence of other major nations and their continued agreement to finance this deficit.

Mr Reagan needs to ensure that the trust built up, notably with Japan, is not compromised in the period before his successor takes control next year, and that trust could easily be undermined if the US Administration is seen to be ignoring inflationary signals from the economy.

That said, it would be naive to expect the G7 finance ministers in Toronto to support unanimously a final communique telling the world we have a problem. The ghost of last October's global equity crash has still to be laid to rest, and so any change in economic management policy is likely to be discreet, if at all. In addition there is the US presidential election in November.

£ IN NEW YORK

June 17	Close	Previous Close
£ Spot	1.7830-1.7840	1.7910-1.7920
1 month	0.13-0.12pm	0.05-0.04pm
3 months	0.61-0.58pm	0.42-0.39pm
12 months	2.50-2.40pm	2.13-2.03pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 17	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4405	+2.31	+1.04	±1.5344
Danish Krone	7.85212	7.90656	+0.69	-0.58	±1.5404
German D-Mark	2.05853	2.07737	+0.92	-0.35	±1.0981
French Franc	6.90403	7.00593	+1.48	+0.21	±1.3674
Dutch Guilder	2.31943	2.33428	+0.64	-0.63	±1.5012
Irish Punt	0.768411	0.774584	+0.80	-0.47	±1.6685

PHILADELPHIA SE £/$ OPTIONS

£12,500 (cents per £1)

Strike Price	Calls Jul	Calls Aug	Calls Sep	Calls Dec	Puts Jul	Puts Aug	Puts Sep	Puts Dec
1.750	3.64	4.08	4.70	6.11	0.60	1.16	1.99	3.98
1.775	1.98	2.52	3.25	4.80	1.35	2.05	2.99	5.16
1.800	0.88	1.46	2.20	3.72	2.64	3.43	4.38	6.54
1.825	0.35	0.75	1.40	2.83	4.49	5.19	5.99	8.03
1.850	0.20	0.32	0.83	2.11	6.73	7.19	7.88	9.73
1.875	0.02	0.09	0.45	1.58	9.12	9.39	9.96	11.58
1.900	-	0.02	0.35	1.17	11.57	11.75	12.18	13.54

Previous day's open int: Calls N/A Puts N/A
Previous day's volume: Calls N/A Puts N/A

LONDON SE £/$ OPTIONS

£12,500 (cents per £1)

Strike Price	Calls Jul	Calls Aug	Calls Sep	Calls Dec	Puts Jul	Puts Aug	Puts Sep	Puts Dec
1.65	-	-	19.05	-	-	-	1.80	-
1.70	-	-	16.40	9.90	-	-	1.50	2.60
1.75	4.00	4.70	5.30	6.65	0.40	1.30	1.90	3.85
1.80	1.00	1.90	2.50	4.10	2.90	3.40	4.20	6.75
1.85	0.30	0.70	1.10	2.40	6.70	6.90	7.35	9.20
1.90	0.30	0.45	0.80	1.70	11.40	11.40	9.50	11.40
1.95	0.30	0.30	0.40	1.30	16.40	16.40	11.40	17.60

Estimated volume total, Calls NA Puts N/A
Previous day's open int: Calls 457 Puts 158

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE FT-SE INDEX FUTURES OPTIONS

STERLING INDEX

CURRENCY RATES

POUND SPOT- FORWARD AGAINST THE POUND

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

CURRENCY MOVEMENTS

EURO-CURRENCY INTEREST RATES

OTHER CURRENCIES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.7830	1.7820	1.7774	1.7703	1.7595
D-mark	3.1250	3.1136	3.0864	3.0473	2.9725
French Fr	10.538	10.537	10.535	10.530	10.460
Swiss Fr	2.5975	2.5872	2.5618	2.5238	2.4498
Yen	224.50	223.75	221.93	219.29	214.03

LONDON (LIFFE)

US TREASURY BONDS 8%

$100,000 32nds of 100%

	Close	High	Low	Prev.
Jun	88-10	88-15	88-07	88-30
Sep	87-14	87-25	87-08	88-01
Dec	86-18	86-20	86-20	87-05

Estimated Volume 8747(33930)
Previous day's open int. 7447(7064)

CHICAGO

CURRENCY FUTURES

MONEY MARKETS

Little hope of base rate pressure easing

THE CALL for higher interest rates in leading industrial nations has probably been as clear in London as anywhere else. Last week's catalogue of economic data had inflationary signals oozing from almost every page.

The pressure shows little sign of letting up. Today's figures on money supply and bank lending will - if the forecasters are right - provide an additional page, to show that the fine balance between economic expansion and overheating has strayed badly from the Treasury's script.

Bad money supply figures should provide a test for sterling's international rating with overseas investors, but the prospect of renewed downward pressure is likely to be arrested by an increase in interest rates.

UK clearing bank base lending rate
$8\frac{1}{2}$ per cent
from June 6

However there is a growing question over the effectiveness of higher interest rates to contain consumer demand. Past experience has shown that bank lending does not decline in direct relation to higher costs.

In addition retail sales are now growing at nearly double the rate of industrial output, and consumer demand may increase further with the start of around £4bn of budget handouts coming through in June pay packets.

The alternatives are even less palatable. Mini-budgets in the autumn have become politically delicate, and the ruling Conservative government may want to wait until next year's annual exercise to tighten its grip. Whether the performance of the real economy will wait that long is another matter.

FT LONDON INTERBANK FIXING

(11.00 a.m. June 17) 3 months US dollars		6 months US Dollars	
bid $7\frac{9}{16}$	offer $7\frac{11}{16}$	bid $7\frac{3}{4}$	offer $7\frac{7}{8}$

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

MONEY RATES

NEW YORK (4pm)

		Treasury Bills and Bonds			
Prime rate	9	One month	5.91	Three year	8.27
Broker loan rate	$8\frac{3}{4}$-$\frac{1}{2}$	Two month	6.15	Four year	8.46
Fed.funds	$7\frac{1}{2}$-$\frac{5}{8}$	Three month	6.56	Five year	8.60
Fed.funds at intervention	$7\frac{1}{2}$	Six month	7.03	Seven year	8.86
		One year	7.52	10-year	9.01
		Two year	8.07	30-year	9.11

LONDON MONEY RATES

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS: 27,843

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

FT - ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

West German market closed June 17.